South Central Waterfront

Tax Increment Reinvestment Zone (TIRZ) Analysis

Prepared for

City of Austin
301 West Second Street Austin,
Texas 78701

By

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On

September 19, 2018

CAPITOL
MARKET
RESEARCH

Real Estate Research, Land Development Economics & Market Analysis

September 19, 2018

Mr. Greg Canally
Deputy Chief Finance Officer
City of Austin
301 West Second Street
Austin, Texas 78701

Dear Mr. Canally:

As requested, we have completed the Tax Increment Reinvestment Zone (TIRZ) analysis for the South Central Waterfront District in Austin, Texas. This analysis provides a 20 year estimate of annual increases in value and potential tax revenues for the 118 acre subject site.

The results of our analysis are provided in the report that follows. The report was prepared in its entirety by Capitol Market Research and relies primarily on original research and analysis conducted by CMR staff and secondary sources that include the U.S. Bureau of Census and the Travis Central Appraisal District. We appreciate the opportunity to provide you with this analysis and welcome any questions or comments that you may have.

Respectfully submitted,
CAPITOL MARKET RESEARCH

Charles H. Heimsath
President

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

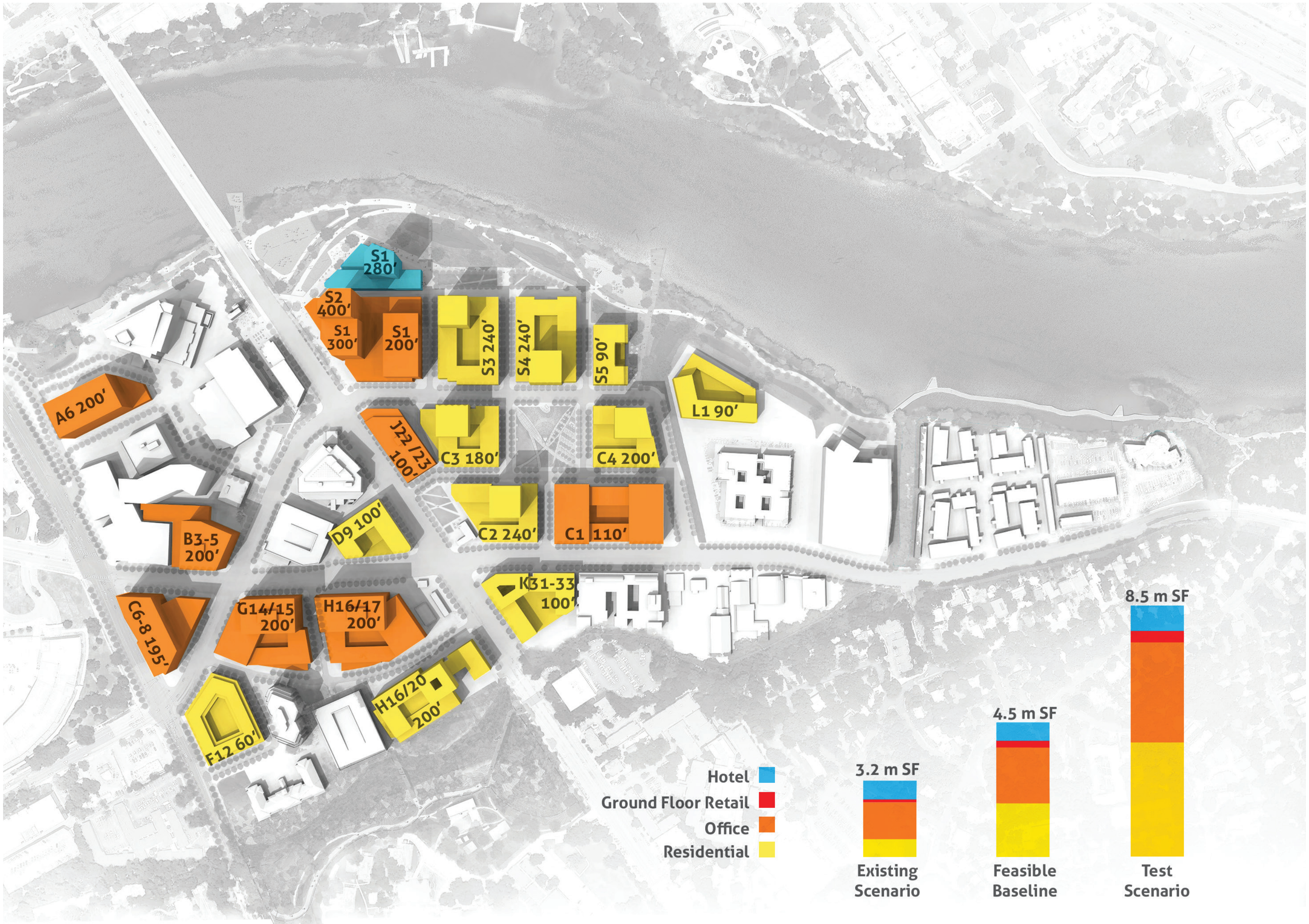
Overview

This report has been prepared for the City of Austin Finance Department to examine the development potential and anticipated future assessed values within the potential South Central Waterfront Tax Increment Reinvestment Zone (TIRZ) through 2037.

In August of 2013 the City Council passed a resolution to initiate a comprehensive small area planning process for the South Shore Central sub district and three adjacent parcels of the Travis Heights sub district of the Waterfront Overlay Combining District Ordinance. For simplicity, this 118 acre district was named the South Central Waterfront (SCW) Initiative. The City Council cited key findings from preliminary studies which warned that zoning ordinances alone were not adequate to guide development in a way to achieve community values that date back to the Town Lake Corridor Study of 1985. These values include: enhanced public access to the shore, expanded open space, and ensuring quality design and the maximization of water quality. More recent public engagement, and the adoption of the Imagine Austin Comprehensive Plan, has expanded the list of community desires to include more affordable housing and sustainable technologies. The urgent need to establish a coordinated plan was underscored by a 2013 study which projected up to $1.2 billion of private investment through development projects in the South Central Waterfront over the next twenty years.

This report will evaluate the future potential for development and tax base enhancement in the area with a specific focus on the potential timing of development. The pace of new construction and value additions is a critical component in the evaluation of TIRZ bond issuance. This report will be one of several studies that will be relied on in the evaluation of the potential TIRZ district.

The following sections of the report present a demand based forecast for the South Central Waterfront planning area of approximately 118 acres, through 2037. The demand forecast establishes the pace of development (absorption) that is likely to occur over the next 20 years. The development potential is then converted into new development value and used to calculate the change in tax base and property tax revenues. In addition, the report provides, in the appendix, an inventory of the projects currently underway or planned for the district.



S1 280'
S2 400'
S1 300'
S1 200'
S3 240'
S4 240'
S5 90'
L1 90'
A6 200'
J22/23 100'
C3 180'
C4 200'
D9 100'
C2 240'
C1 110'
B3-5 200'
K31-33 100'
C6-8 195'
G14/15 200'
H16/17 200'
H16/20 200'
F12 60'
Hotel
Ground Floor Retail
Office
Residential
3.2 m SF
Existing Scenario
4.5 m SF
Feasible Baseline
8.5 m SF
Test Scenario

Appendix

GENERAL AREA ANALYSIS:

DEMAND DRIVERS

Economic Context

Overview

The South Central Waterfront, is located at the southern edge of the Downtown Austin market area, and is primarily influenced by the economic base of the City of Austin, Travis County, and the broader Austin-Round Rock MSA. The Austin MSA is comprised of Bastrop, Caldwell, Hays, Travis and Williamson Counties. The Austin MSA is comprised of Bastrop, Caldwell, Hays, Travis and Williamson counties. According to the U.S. Census Bureau, the Austin-Round Rock MSA grew by 19.8% in from 2010 through 2016 (U.S. Census estimates, July 1), and now has a population that exceeds 2 million people.

Austin is the county seat of Travis County, which grew by 17.08% from 2010 to 2016, according to the U.S. Census Bureau (July 1, 2016 estimate). The Austin-Round Rock MSA is anchored by employment in state and local government and higher education, including the University of Texas, St. Edward's University, Texas State University, and Southwestern University. Research and development and healthcare are also important economic influences, while high-tech and internet based companies have become an integral part of the economy.

Employment Growth for Austin-Round Rock MSA

Employment grew rapidly in Austin in the late 1990s with annual increases ranging from 25,100 in 1996 to 38,000 in 2000. However, in 2002 the Austin area lost more than 16,000 jobs and in 2003, the loss was 5,400. In a remarkable recovery, growth resumed in 2004, and the Texas Workforce Commission reported a net increase of 108,100 jobs in from January 2004 through December 2007. For a period of time in late 2007 and early 2008 it appeared that Austin might not be affected by the national housing crisis, but eventually the lack of credit for new lot construction, retail chain expansions and business inventory additions resulted in a decrease in new job creation in the local economy, which diminished to (-16,800) in 2009. However, the economy began a modest recovery in 2010 with 11,400 jobs added and gained more momentum in 2011 with 26,300 jobs added. The recovery then accelerated, adding approximately 39,000 jobs in 2013 and again in 2014. Employment growth continued its positive trajectory through 2015 and 2016, with an average increase of 38,650 jobs a year. The most recent forecast (April 2018) shows a slower, but still positive job growth trend. Table (1) on the following page provides recent employment statistics and projections for the Austin-Round Rock MSA. Forecasted annual increases in the Austin-Round Rock MSA employment for 2018 through 2027 are expected to average 2.01%. The forecast shown is from Moody's, Economy.com, Austin-Round Rock MSA Employment Forecast, April 9, 2018. The time frame for the proposed TIF extension is 2040, so the average rate of increase from the first ten years was extended to cover the remaining twelve years to 2040.

Table (1)

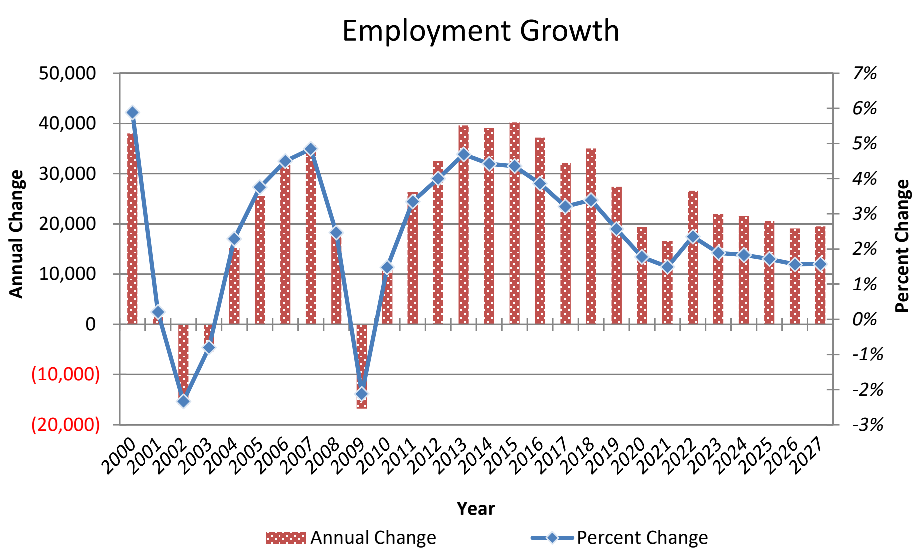
Historical & Projected Employment Growth

Austin-Round Rock MSA

	Year	Total Wage & Salary Emp.	Annual Change	Percent Change
Historical	*2000*	683,900	38,000	5.88%
	2001	685,300	1,400	0.20%
	2002	669,300	(16,000)	-2.33%
	2003	663,900	(5,400)	-0.81%
	2004	679,100	15,200	2.29%
	2005	704,600	25,500	3.75%
	2006	736,300	31,700	4.50%
	2007	772,000	35,700	4.85%
	2008	791,000	19,000	2.46%
	2009	774,200	(16,800)	-2.12%
	2010	785,600	11,400	1.47%
	2011	811,900	26,300	3.35%
	2012	844,400	32,500	4.00%
	2013	884,000	39,600	4.69%
	2014	923,100	39,100	4.42%
	2015	963,300	40,200	4.35%
	2016	1,000,500	37,200	3.86%
	2017	1,032,600	32,100	3.21%
Projected	*2018*	1,067,600	35,000	3.39%
	2019	1,095,000	27,400	2.57%
	2020	1,114,400	19,400	1.77%
	2021	1,131,000	16,600	1.49%
	2022	1,157,600	26,600	2.35%
	2023	1,179,500	21,900	1.89%
	2024	1,201,100	21,600	1.83%
	2025	1,221,700	20,600	1.72%
	2026	1,240,800	19,100	1.56%
	2027	1,259,800	19,500	1.57%

Source: Texas Workforce Commission, Annual Average Wage & Non-Farm Salary Employment (1990-2017)
Forecasted employment increase obtained from Moody's Economy.com April 9, 2018

datasets_empgro_austin_2018.xls



Austin MSA Housing Demand

Rapid population growth in Austin and other U.S. cities is almost always attributable to the immigration of people from other areas, often because of job opportunities. A recent (2018) U.S. News and World Report assessment of the largest metropolitan areas in the U.S. ranked Austin Number 1 in their list of best places to live. A major component of this ranking is the strength of the market for employment opportunities. The positive national exposure, combined with the demonstrable growth in employment (Table (1)), and an unemployment rate of 3.2% for the Austin MSA (June 2018) makes Austin an extremely desirable place for people to move. The City of Austin reported in 2016 that approximately 110 people per day are moving to the Austin area, and 45 people per day are moving into the City limits. Many of those people are moving to Austin in search of employment, and many of those people will seek out rental housing in apartments.

The table below provides an estimate of new rental units needed as a result of the job increases anticipated over the next ten years. Based on recent building permit data, we have estimated multi-family unit demand to be 96.84% of the total rental unit demand and will average 7,751 units per year from 2018 through 2027.

Table (2)

Multi-Family Housing Demand

Austin-Round Rock MSA

Year	MSA Employment Increase	Population Increase	Household Size	New Households	New Renter Households	Multi-Family Demand
2018	35,000	76,469	2.58	29,639	12,304	11,915
2019	27,400	59,865	2.58	23,203	9,632	9,327
2020	19,400	42,386	2.58	16,429	6,820	6,604
2021	16,600	36,268	2.58	14,057	5,835	5,651
2022	26,600	58,117	2.58	22,526	9,351	9,055
2023	21,900	47,848	2.58	18,546	7,698	7,455
2024	21,600	47,192	2.58	18,292	7,593	7,353
2025	20,600	45,008	2.58	17,445	7,241	7,013
2026	19,100	41,730	2.58	16,175	6,714	6,502
2027	19,500	42,604	2.58	16,513	6,855	6,638

Source: Employment Forecast from Table (1) datasets_empgro_austin_2018.xls

Note: Population to employment ratio held constant (0.4577)

Household size (2.58) and Percent Renter (41.51%) based on 2010 Census

Multi-family demand based on building permits issued in the MSA over the past 10 years (96.84%)

MARKET AREA DEFINITION &

DEMOGRAPHIC ANALYSIS

South Central Waterfront Market Area Definition

In order to accurately represent the demand for commercial and residential development at the subject site, regional demand must be disaggregated to the neighborhood or market area level. This process of disaggregation is often accomplished by segmenting a large geographic region into submarkets or neighborhoods. The neighborhood for the subject property must be small enough to capture relevant local trends and product preferences, but it also must be large enough to capture all of the current and potentially competitive properties along with important employment and activity generators.

The South Central Waterfront is approximately 118 acres located on the south side of Lady Bird Lake, between South First Street and Bouldin Creek. The market area defined for this project is most appropriately defined as the Downtown and Near South Central Austin market area, bounded generally by Oltorf and Live Oak Street to the south, Mopac and Azie Morton Road to the west, 24th Street and MLK Jr Boulevard to the north, and Interstate 35 to the east. Land uses in the market area that are considered to be important include the CBD office buildings and the State Capital Complex, the new Seton Dell Medical Center, the Austin Convention Center, the developing Seaholm, Green Water and Second Street Districts, Lady Bird Lake and the adjacent hike and bike trail, nearby park land, the Sixth Street, Fourth Street and Rainey Street entertainment districts, apartment and condominium projects, and single family residential neighborhoods south of Riverside Drive.

Another important consideration for defining the market is image and market perceptions. This is often quite difficult to accomplish because one market may phase quietly into another without a clear physical or psychological barrier. In this case, the subject property is located across Lady Bird Lake from the historic downtown core and contains prime areas for redevelopment which with expand the CBD southern edge south to Bouldin Creek. The definition of the market area must also take into consideration the availability of relevant information, particularly demographic data. Census tract geography is most often used to delineate market areas because the data available from the Census is critical to thorough and relevant analysis of the market. The Downtown and Near South Central market area, shown on the map on the following page, is comprised of 2010 Travis County census tracts 7, 11, 12, 13.03, 13.05, 14.01, 14.02 and 16.05.

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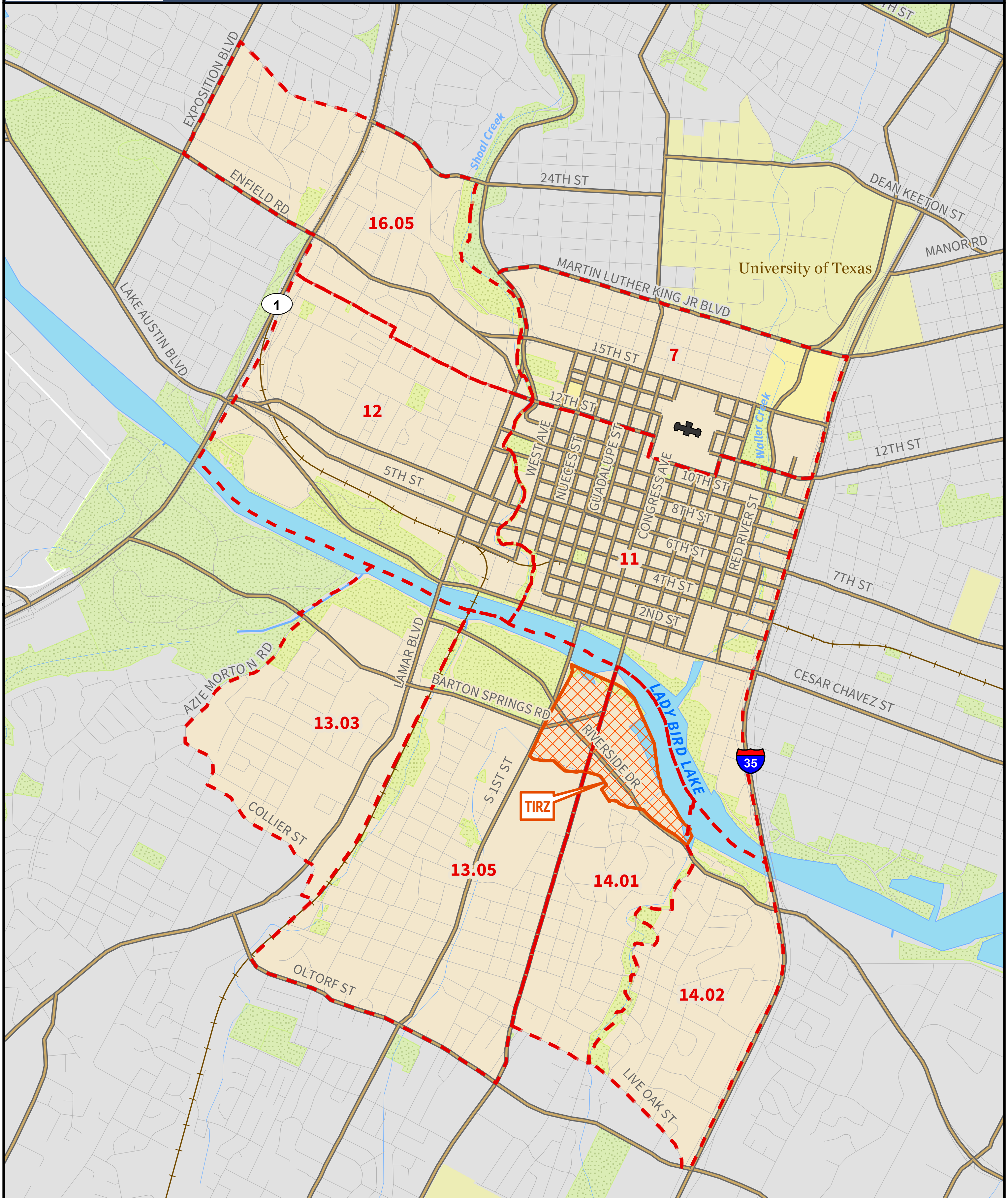
Downtown & Near South Central Austin:
2010 Census Tracts



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2010 Census Tract

Date: September 2018

Path: C:\GIS\Projects\2018\SouthCentralWaterfront\2010_census.mxd

OFFICE MARKET CONDITIONS

Austin Office Market Overview

The office market in Austin has, over the last 26 years, evolved from a relatively small government-oriented market to a much larger and more diverse multi-tenant market. In 1980 the multi-tenant office market in Austin contained approximately 5.4 million square feet of space in 77 buildings. By 1987, the market had expanded fourfold to include more than 22 million square feet in 251 buildings and it now contains 46.6 million sq. ft. in 653 buildings.

Reflecting the historical focus on State government and the location of the Capitol Building, for most of the 20th century a majority of office space was concentrated in Downtown Austin. In recent years, however, suburban office development has dominated the market, since almost 100% of the space built during the nineties was constructed in the suburban market. From 1993 to 1999, a majority of leasing activity also took place in the suburbs, and until the first quarter of 2001, the suburban markets displayed remarkable strength, with almost every new building fully leased when it received a certificate of occupancy. Then, as a result of another boom in suburban office construction in 2007 and 2008 the suburban market occupancy rates have dropped dramatically, and the market became much more competitive. Currently, the community is experiencing strong demand for office in both the CBD and the suburban market, with high occupancy and increasing rates across the region.

Historical Market Trends

Austin, like many other cities in Texas, experienced an unprecedented boom in office space construction and absorption in the mid-eighties. Driven by a rapidly expanding economy and media attention associated with the formation of MCC (Microelectronics & Computer Technology Corporation, a consortium of high tech businesses, working together to create innovative technology), office absorption in 1984 surged to 2.56 million square feet. From 1983 to 1987 the inventory of general-purpose office space increased by 128%, a dramatic expansion caused by a massive construction boom. Unfortunately, the downturn in the Texas economy coupled with slow growth in the computer industry caused declines in office employment and absorption of the new space. In 1987, Austin had one of the lowest occupancy rates in the country at 62.6%.

With increasing occupancy and improving rental rates, 1990 was the turnaround year for the Austin office market. Government agencies led the market recovery as entities like the Austin Independent School District, Austin Community College and the State of Texas purchased vacant multi-tenant office buildings, removing them from the available inventory. This trend continued through 1991 and 1992, and in 1993 and 1994 private companies initiated a similar trend as they bought and occupied suburban office buildings. From 1995 through the end of 2000, the market expansion gained strength as rental rates increased and new buildings were completed and fully leased at completion. Between January 2000 and December 2002, the Austin office market deteriorated rapidly as many pre-profit dot.com companies went out of business and gave up their lease space. Over the same three-year period over 6.0 million square feet were completed in 77 new buildings. In 2003 only one building was completed with 83,843 sq. ft. Four buildings were completed in 2004 with a total of 605,686 sq. ft. and in 2005 and 2006 there were no (0) new buildings added to the inventory. The December 2006 office report showed a dramatic increase in occupancy to 87.8% (including sublease space) and 88.9% occupancy of owner-offered (direct) space. But in December 2007 the occupancy rate dropped to 85.2% due to the lack of leasing activity combined with the completion of 1,398,077 sq. ft. of new office space in 2007. Absorption for the year was an anemic 145,122 sq. ft., which was a dramatic slowdown from the positive trend of the prior three years. In December 2008 the office market conditions continue to decline as 2,373,710 square feet were added to the market and only 484,876 square feet were absorbed. Then, in 2009, the market experienced negative absorption of almost one million sq. ft. while 976,999 sq. ft. were added during the year. December 2010 occupancy, including sublease space, increased to 80.3% but the quoted rental rates dropped by $1.63 to $24.68. Throughout 2011, average rates continued their decline, but occupancy rates increased and in some areas, like the CBD and Southwest Austin, finding large blocks of contiguous space was increasingly difficult. At the end of 2011, average rates were down slightly from 2010 to $24.19, but occupancy including sublease space increased to 83.7%.

Recent Market Conditions

Throughout 2012 and 2013, the market steadily improved with strong leasing activity in the CBD, Northwest and Southwest market areas. At the end of 2015, the citywide occupancy rate surpassed 90.0% for the first time since 2000. The market has continued to gain strength through 2016, ending the year 91.6% occupancy and average rents reaching $34.05 (gross rates). In the first half of 2017, strong demand supported an increase in the average to $34.91 (gross) per square foot. The occupancy rate in June 2017 leveled off at 91.6%.

A December 2017 report by Cushman and Wakefield showed the Austin office market at 89.6% occupied, with an absorption rate of 627,153 square feet. Average rents, according to Cushman and Wakefield, have continued to climb, reaching $36.13 (gross) per square foot. Capitol Market Research documented over 1.6 million square feet of office space delivered in 2017, including three buildings with multi-tenant space that completed in the CBD (500 W. 2nd, Shoal Creek Walk, and the UT Systems Building), Domain 8 (292,000 sq. ft.) in the Domain that was 100% preleased upon completion, and over 410,000 square feet in Southwest Austin, including two buildings (175,000 sq. ft.) that was preleased to YETI.

Table (3)

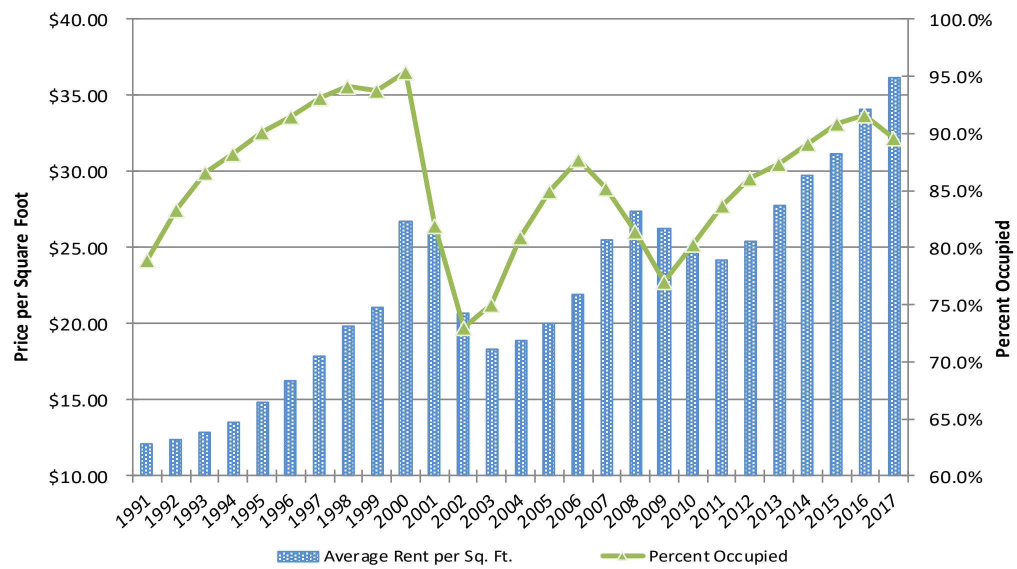
Austin Citywide Office Market Summary

(December 1991 - December 2017)

Year	Net Rentable Area	Total Leased	Percent Occupied	Additions (Sq.Ft.)	Absorption (Net Sq.Ft.)	Average Rent per Sq. Ft.
1991	21,010,788	16,592,251	79.0%	120,000	674,374	$12.12
1992	20,783,333	17,312,282	83.3%	0	917,967	$12.37
1993	20,979,552	18,174,152	86.6%	195,454	798,889	$12.84
1994	21,237,702	18,742,752	88.3%	0	695,813	$13.54
1995	21,343,917	19,230,407	90.1%	33,000	352,263	$14.85
1996	22,351,191	20,461,948	91.5%	448,875	588,677	$16.25
1997	23,564,021	21,952,889	93.2%	701,342	957,623	$17.89
1998	24,659,563	23,206,121	94.1%	1,077,000	1,190,829	$19.88
1999	26,841,892	25,161,595	93.7%	2,239,516	1,997,260	$21.11
2000	28,524,537	27,213,822	95.4%	1,764,244	1,867,353	$26.70
2001	31,162,686	25,531,590	81.9%	2,520,265	(1,680,818)	$26.05
2002	33,198,203	24,256,957	73.1%	1,617,984	(1,274,633)	$20.71
2003	33,125,064	24,840,794	75.0%	83,843	583,837	$18.35
2004	34,529,701	27,960,818	81.0%	605,686	1,572,164	$18.88
2005	34,607,839	29,402,802	85.0%	0	912,552	$20.08
2006	34,513,174	30,288,445	87.8%	0	965,954	$21.96
2007	35,630,721	30,365,399	85.2%	1,398,077	145,122	$25.47
2008	38,445,479	31,313,962	81.5%	2,373,710	484,876	$27.41
2009	39,677,836	30,584,102	77.1%	976,999	(971,414)	$26.31
2010	39,274,313	31,548,225	80.3%	88,694	964,123	$24.68
2011	39,358,387	32,959,646	83.7%	0	1,361,946	$24.19
2012	39,555,890	34,070,832	86.1%	62,192	1,072,575	$25.41
2013	39,156,400	34,195,776	87.3%	101,444	485,059	$27.74
2014	42,222,619	37,626,733	89.1%	1,274,569	1,851,291	$29.78
2015	44,004,567	40,013,489	90.9%	1,768,664	2,365,751	$31.18
2016	45,977,582	42,135,826	91.6%	1,632,342	1,833,694	$34.05
2017	50,068,367	44,850,415	89.6%	1,684,323	627,153	$36.13

Source: *Capitol Market Research, Austin Area Office Survey, December 1991 - December 2016* off_sum_1217.xls
Average quoted rent for all available space on a "Gross" Lease basis
Includes sublease space starting in 2001

Note: *December 2017 summary from Cushman and Wakefield Marketbeat Q4 2017 Report*



South Central Waterfront Office Market Conditions

In June 2018, Capitol Market Research surveyed all 73 multi-tenant office buildings in the Austin CBD and near South Central Market area that together comprise a total of 10,804,912 square feet of rentable space. Currently, the market area occupancy, including sublease space, is 93.1%, which is up from June 2017 when it was 92.9%. Average rents are $54.83 per square foot on a "gross" lease basis, up $7.53 since June 2017 when they were $47.66.

New Construction

Since 2010, thirteen buildings with a total of 2,003,303 sq. ft. of rentable space have been added to the market area: 1705 Guadalupe (2015), 3Eleven Bowie (2015), 500 W. 2nd (2017), 501 Congress (2015), 5th+Colorado (2016), 801 Barton Springs (2018), Colorado Tower (2014), IBC Bank Plaza (2014), Market District South Block (2013), Northshore (2016), Seaholm (2015), Shoal Creek Walk (2017), and the University of Texas System Building (2017). In addition, one new building that opened in 2009 (Shoppes at 5th & Lamar) delivered additional square footage in 2011.

Currently, there are two office buildings under construction in the CBD, which together will add 445,087 square feet to the market. One of these projects, Westview, is scheduled to open 100,087 square feet of renovated space in the fourth quarter of 2018, while the remaining building (Third+Shoal) is scheduled to open in October 2018. Both of these buildings will deliver class "A" space to the market area, and Third+Shoal is approximately 75% preleased. In the near south submarket there are three mixed use buildings with an office component under construction 2010 SOLA, Saint Vincent and Music Lane. There are also several additional proposed projects that are considering office use as part of a mixed-use development or as a free-standing office building.

Occupancy & Absorption

The current (June 2018) "direct" and total occupancy in the market area are the same at 93.1%. The increase in occupancy is due, in part, to the addition of 826,304 square feet of multi-tenant office space in four buildings between June 2017 and June 2018, all of which are 100% occupied.

Absorption in a tight market is usually driven by the completion of new space. However, from 1991 through 1999 the subject market area experienced sustained absorption and rapidly rising rental rates with no new construction. Then, just as new buildings were started in 2001 and 2002, the market became soft and absorption turned negative. From 2000 through the end of 2005 (with the exception of 2004), the market area experienced negative absorption each year. Then from the beginning of 2006 through the end of 2008, the market made a remarkable recovery and absorbed a total of 670,606 sq. ft. before slowing down in 2009, as the national recession impacted Austin and downsizings had a negative effect on absorption. However, leasing activity picked up the following year, with 270,085 square feet absorbed in 2010 and 248,662 square feet absorbed in 2011 and 2012 combined. Absorption slowed again in 2013, due in part to the lack of available space. Then, from 2013 through the end of 2016, market demand accelerated as nine new office buildings opened, with most of the space preleased before opening. In 2017, the absence of new space in the first six month created a negative absorption scenario, before three new building opened between June and December 2017. In 2018 one additional building was completed, 801 Barton Springs and was 100% occupied upon completion.

Average Rents

Average rents in the Downtown and near South Central market area rose dramatically from 1990 to 2000, ending the decade at $30.24 in December 2000. Since then, rents dropped back to $21.46 per sq. ft. in December 2003, but have since increased dramatically and are currently at $54.83 per sq. ft. in June 2018.

New large, class “A” buildings are leasing at rental rates higher than the market average (ranging from a gross average of $44.95 to $72.91 per square foot) while maintaining a higher than average occupancy (94.8% including sublease space). The rent disparity between the new Class A+ properties and smaller Class A and B buildings is a result of the willingness of certain tenants to pay a premium for high-quality, prestige and image. Other factors affecting Class A+ rates are the larger, more efficient floor plates in the new buildings and high parking ratios available in the attached garages. Because some tenants are willing to pay for quality, view, location, and amenities, and because there is a shortage of supply in these buildings, these landlords are able to obtain much higher rents.

Market Outlook

The continued increase in total occupancy has allowed average rental rates to increase, and the combination of high rents and increasing occupancy has resulted in the delivery of twelve class “A” properties since 2014, with an additional five buildings under construction. In addition to the multi-tenant space planned in the market area, several owner occupied office buildings have started in and around Downtown Austin, including Oracle, just south of Lady Bird Lake and the SXSW building at 1400 Lavaca Street.

The leasing of large amounts of office space to Google at 500 W. 2nd and Cirrus Logic at Shoal Creek Walk, shows the increasing diversity of the downtown tenant mix, as tech and other “creative” companies look for well-located office space in Downtown Austin. Preleasing at the under construction Third+Shoal to Facebook, and to Parsley Energy, at the recently announced 300 Colorado building, confirms the continuing attractiveness of Downtown Austin to large companies looking to maintain or expand their presence in a highly desirable location.

In the longer term, the continued expansion of the Downtown and near South Central residential and retail development is likely to support increases in occupancy rates, and will attract a more varied tenant mix than the historically dominant law firms, lobbyists and financial institutions. There are also a limited number of sites on which to construct new buildings, as well as significant additional costs for construction on constrained sites in the central core versus suburban buildings.

Table (4)

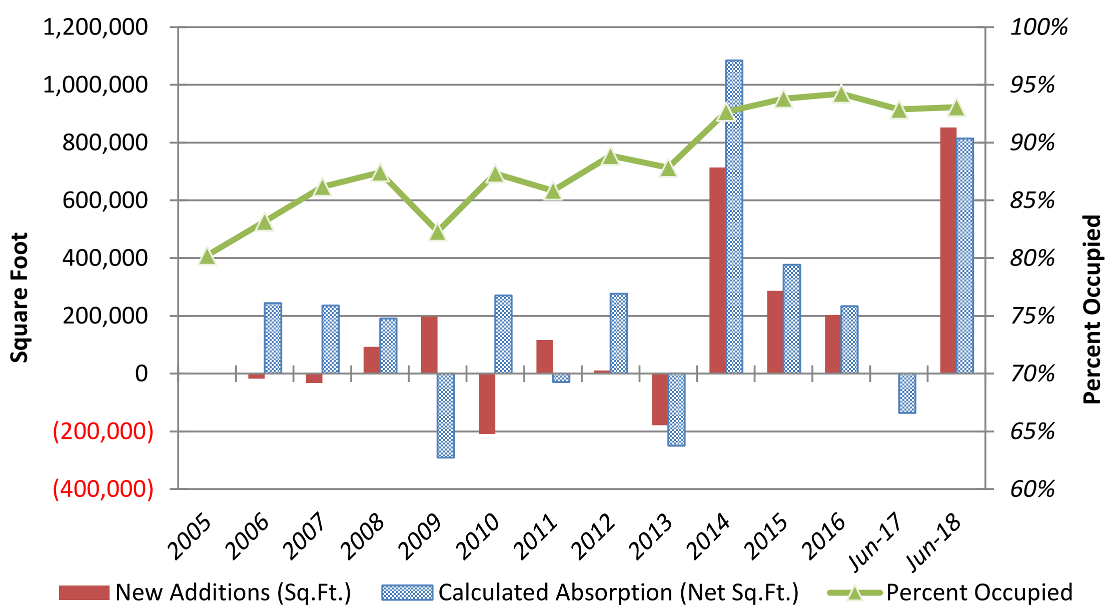
Office Market Summary

Downtown and Near South Central Austin

Year	Net Rentable Area	Total Leased	Percent Occupied	New Additions (Sq.Ft.)	Calculated Absorption (Net Sq.Ft.)	Average Rent per Sq. Ft.
2005	8,769,657	7,035,219	80.2%	…	…	$22.08
2006	8,752,856	7,279,080	83.2%	-16,801	243,861	$25.91
2007	8,720,545	7,514,644	86.2%	-32,311	235,564	$29.14
2008	8,813,640	7,705,825	87.4%	93,095	191,181	$31.52
2009	9,010,983	7,415,005	82.3%	197,343	-290,820	$32.72
2010	8,801,609	7,685,090	87.3%	-209,374	270,085	$33.15
2011	8,917,922	7,656,381	85.9%	116,313	-28,709	$32.14
2012	8,928,769	7,933,752	88.9%	10,847	277,371	$34.54
2013	8,750,476	7,684,621	87.8%	-178,293	-249,131	$37.80
2014	9,463,781	8,768,822	92.7%	713,305	1,084,201	$40.46
2015	9,750,466	9,145,639	93.8%	286,685	376,817	$43.23
2016	9,953,058	9,378,901	94.2%	202,592	233,262	$47.28
Jun-17	9,953,058	9,242,682	92.9%	0	-136,219	$47.66
Jun-18	10,804,912	10,056,393	93.1%	851,854	813,711	$54.83

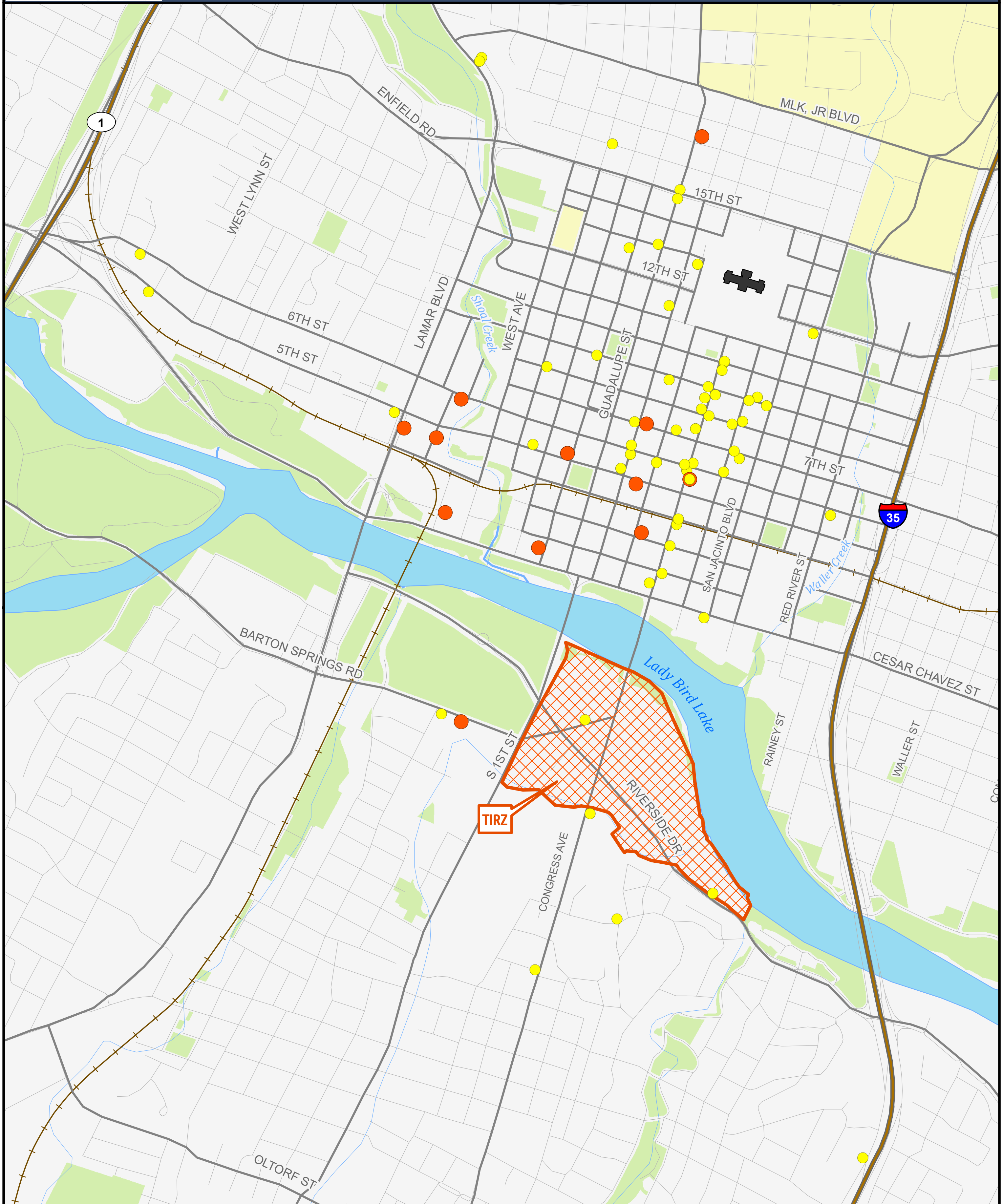
Source: *Capitol Market Research, Austin Area Office Survey, December 2005 - December 2017* offsum_cbdnsc.xls

Average quoted rent for all available space on a "Gross" Lease basis



Downtown and Near South Central Austin:

Existing Multi-tenant Office Buildings



Date: September 2018

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N

0 0.25 0.5 Miles

Built before 2010

Built in 2010 +

Inventory and Market Share

Since December 2000, the Downtown and near South Central office market has grown from 7,544,284 sq. ft. in 50 buildings to 10,804,912 sq. ft. in 73 buildings (June 2018). While construction of new buildings tends to come in "spurts", the annual increase to the market inventory has averaged approximately 201,893 sq. ft. since December 2000. The inventory share of the total Austin market has slowly decreased, from a high of 26.4% in 2000, to a low of 21.6% in December 2016 but increased in 2017 to 22.7%, while maintaining an average of 23.6% over the past eighteen years. The decline in share reflects the rapid expansion of the suburban market, where buildings tend to be smaller, less expensive to build, and easier to get financed.

Table (5)

Office Inventory & Market Share

Downtown Austin

Year	Citywide Inventory	Market Area Inventory	Market Share	Change in Share
2000	28,524,537	7,544,284	26.4%	-0.3%
2001	31,162,686	7,627,987	24.5%	-2.0%
2002	33,198,203	8,033,748	24.2%	-0.3%
2003	33,125,064	8,058,117	24.3%	0.1%
2004	34,529,701	8,790,277	25.5%	1.1%
2005	34,607,839	8,769,657	25.3%	-0.1%
2006	34,513,174	8,752,856	25.4%	0.0%
2007	35,630,721	8,720,545	24.5%	-0.9%
2008	38,445,479	8,813,640	22.9%	-1.5%
2009	39,677,836	9,010,983	22.7%	-0.2%
2010	39,274,313	8,801,609	22.4%	-0.3%
2011	39,358,387	8,917,922	22.7%	0.2%
2012	39,555,890	8,928,769	22.6%	-0.1%
2013	39,156,400	8,750,476	22.3%	-0.2%
2014	42,222,619	9,463,781	22.4%	0.1%
2015	44,004,567	9,750,466	22.2%	-0.3%
2016	45,977,582	9,953,058	21.6%	-0.5%
2017	47,661,905	10,804,912	22.7%	1.0%
		Average	**23.6%**	

Source: Capitol Market Research, December 2000 - June 2017 offsum_cbdnsc.xls

Historical Absorption

Absorption in the subject market area has fluctuated significantly over the years, but it has averaged approximately 16.8% of the annual citywide office space absorption since 2001, equating to an average annual absorption of 126,101 square feet a year between January 2001 and December 2017. In 2001, absorption was negative in the city and the market area as many e-commerce, start-up companies gave up their space. Then from 2004 through 2006, absorption picked up as the economy improved, and companies began to expand and needed more space. Then the world-wide financial crisis brought an end to corporate relocations and expansion and the office market suffered through the end of 2009. However, following the global financial crisis, the office market in the Downtown and near South Central market area experienced increases in occupancy and positive absorption, which confirms the ongoing desirability of the market area.

The Downtown and near South Central market area has captured 23.1% of the citywide absorption from January 2004 through December 2017. This healthy amount of absorption in the market area can be attributed (in part) to the high level of pre-leasing activity seen in the market area, which is driven by the strong demand for space in the most desirable office market in the City.

Table (6)

Historical Office Absorption

Downtown and Near South Central Austin

Year	Citywide Absorption	Market Area Absorption	Market Share
2001	(1,680,818)	(623,410)	37.1%
2002	(1,274,633)	(97,852)	7.7%
2003	583,837	(114,275)	-19.6%
2004	1,572,164	683,579	43.5%
2005	912,552	(318)	0.0%
2006	965,954	243,861	25.2%
2007	145,122	235,564	162.3%
2008	484,876	191,181	39.4%
2009	(971,414)	(290,820)	29.9%
2010	964,123	270,085	28.0%
2011	1,361,946	(28,709)	-2.1%
2012	1,072,575	277,371	25.9%
2013	485,059	(249,131)	-51.4%
2014	1,851,291	1,084,201	58.6%
2015	2,365,751	376,817	15.9%
2016	1,833,694	233,262	12.7%
2017	951,823	204,782	21.5%
Total	13,491,255	2,269,820	16.8%

Source: *Capitol Market Research, December 2017* offsum_cbdnsc.xls
Citywide Office Market Surveys Dec. 2000 - June 2017
December 2017 is the average of (5) brokerage firms

Downtown and near South Central Competitive Office Sites

In addition to the existing buildings, office space built in the South Central Waterfront TIF District will be competing with other market area office sites and new buildings under construction. The potential additions to the defined market resulting from the development of other planned office sites is based on the capacity of office developers to obtain the necessary construction financing and city approvals, often after a lengthy process where the developer has negotiated the land purchase with multiple ownership interests.

The August 2018 survey conducted by Capitol Market Research for this evaluation revealed a total of seventeen zoned sites that have buildings that are either under construction, have been "announced" or that are likely to be developed as competitive office space. Westview, at 316 W. 12th Street, and Third + Shoal are currently under construction, with scheduled delivery in October 2018. In total there is 4,111,106 square feet of under construction and planned, thus indicating the potential for competitive development within the proposed project development horizon. After interviewing developers and leasing agents, we have prepared a "pipeline" analysis for the subject market area that represents the best information available to us in September 2018.

Table (7)

Planned Multi-Tenant Office Buildings

Downtown and Near South Central Market Area

Map No.	Name	Sub-Market	Address	Developer Name	Size	Class	Status	Estimated Start	Estimated Completion
1	2010 SOLA	NSC	2010 South Lamar	Sackman Development	64,284	A	Construction	Feb-17	Feb-19
2	300 Colorado	CBD	300 Colorado Street	Riverside Resources	302,000	A	Submitted	Dec-18	Dec-20
3	4th & Colorado	CBD	405 Colorado St	Brandywine	196,000	A	Approved	tbd	tbd
4	410 Uptown	CBD	410 W. 18th St	Mid-City Development	186,957	A	Proposed	tbd	tbd
5	425 W. Riverside	NSC	425 West Riverside	Stream Realty	325,000	A	Submitted	Mar-19	Mar-21
6	600 Guadalupe	CBD	600 Guadalupe St.	Lynd Development	570,000	A	Submitted	Sep-18	Sep-21
7	Block 71	CBD	200 W. 6th St.	Trammell Crow	665,000	A	Construction	tbd	tbd
8	Block 87	CBD	701 Trinity St.	Cielo Property Group	182,328	A	Withdrawn	tbd	tbd
9	Bouldin Crk. Commons	NSC	2043 South Lamar	CBRE as Agent	140,988	A	Submitted	tbd	tbd
10	Hummingbird	NSC	1608 S. Congress	Gary Sharpe	7,044	A-	Submitted	tbd	tbd
11	Music Lane (Bldg. 1)	NSC	1100 S. Congress	Clark Lyda	130,000	A	Construction	Nov-17	Nov-19
12	Music Lane (Bldg. 3)	NSC	1009 S. Congress	Clark Lyda	30,468	A	Construction	Nov-17	Nov-19
13	Rainey Gateway	CBD	84 Rainey St.	Sackman Development	50,000	A	Submitted	tbd	tbd
14	Saint Vincent	NSC	1333 S. Congress	Santo Del Sur, LLC	14,667	A-	Construction	Sep-17	Feb-19
15	The Republic	CBD	308 Guadalupe Street	Lincoln Property Group	601,370	A	Submitted	tbd	tbd
16	Third+Shoal	CBD	208 Nueces St.	Cielo Property Group	345,000	A	Construction	May-16	Oct-18
17	Waller Center	CBD	Red River & Cesar Chavez	McCourt	300,000	A	Approved	*on hold*	
	Total				4,111,106				

Source: Capitol Market Research, Developer Interviews, August 2018 compsite off_cbd.xls

Table (8)

Future Office Building Delivery

Downtown Austin

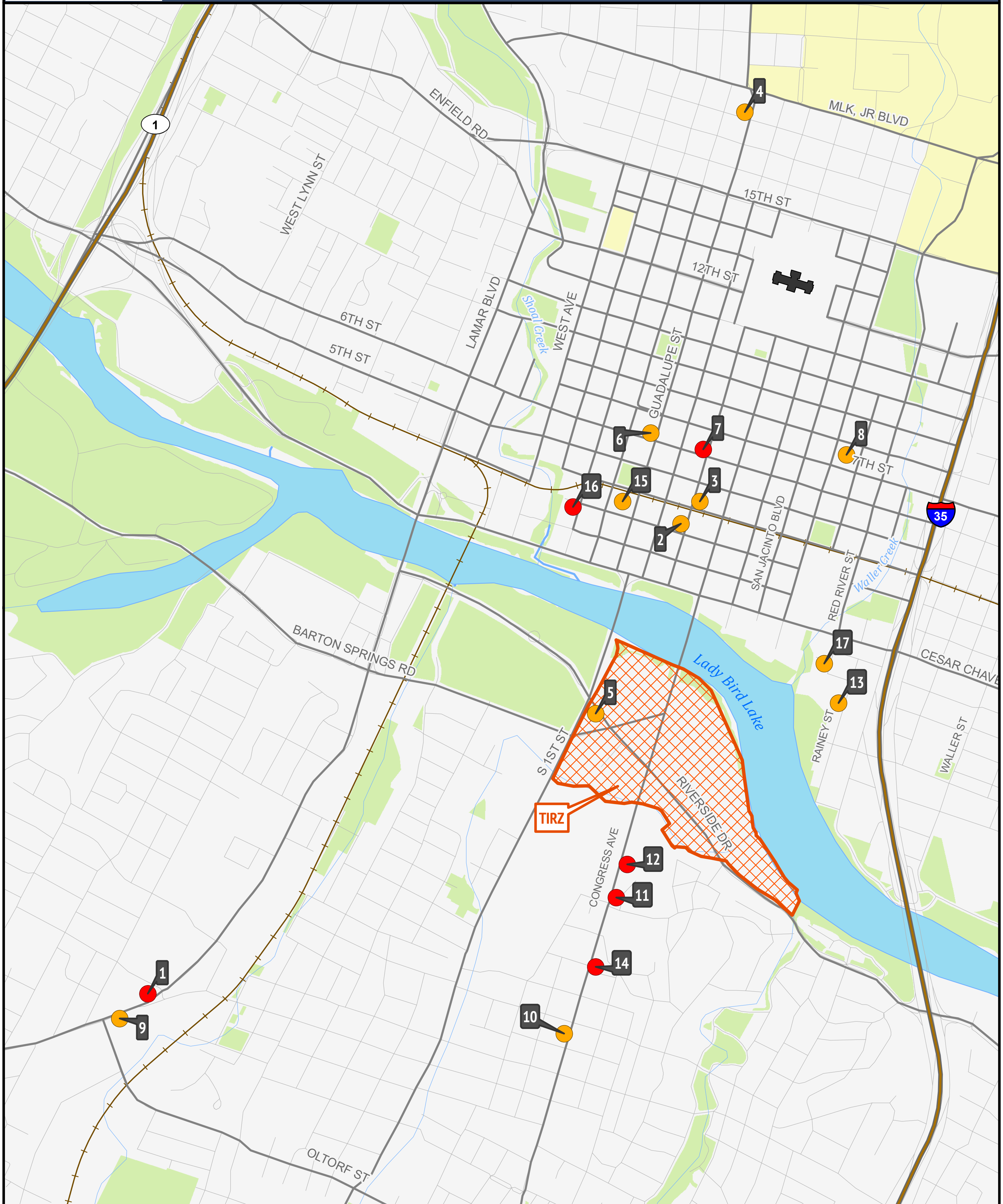
Map No.	Name	Sq.Ft.	*2017*	*2018*	*2019*	*2020*	*2021*	*Future*
1	300 Colorado	302,000	.....	.....	.....	302,000	.....	.....
2	405 Colorado St	196,000	.....	.....	.....	.....	.....	196,000
3	410 Uptown	186,957	.....	.....	.....	.....	.....	186,957
4	600 Guadalupe	570,000	.....	.....	.....	.....	570,000	.....
5	Block 71	665,000	.....	.....	.....	.....	.....	665,000
6	Block 87	182,328	.....	.....	.....	.....	.....	182,328
7	Courthouse Block	600,000	.....	.....	.....	.....	.....	600,000
8	Rainey Gateway	50,000	.....	.....	.....	.....	.....	50,000
9	Shoal Creek Walk	212,500	212,500	.....	.....	.....	.....	.....
10	Third+Shoal	345,000	.....	345,000	.....	.....	.....	.....
11	Waller Center	300,000	.....	.....	.....	.....	.....	300,000
12	Westview (rehab)	100,087	.....	100,087	.....	.....	.....	.....
	Total Sq. Ft.	3,709,872	212,500	445,087	0	302,000	570,000	2,180,285

Source: Capitol Market Research, Developer Interviews, April 2018 compsite off_cbd.xls

CAPITOL MARKET RESEARCH

Downtown and Near South Central Austin:

Planned Multi-Tenant Office Buildings



Date: September 2018

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N

0 0.25 0.5 Miles

Construction

Planned

Austin MSA Office Demand Forecast

Total employment in the Austin area is expected to grow by an average of 2.01% over the next ten forecasted years (2018-2027). In order to determine the number of these jobs being created in need of office space, CMR utilized the 2016 Texas Workforce Commission's occupational breakdown of workers for each major industry group, including most professional, managerial, and clerical categories. CMR staff then reviewed each occupational category and assigned it an office percentage based on the type of work conducted by employees in each industry class. The results of this CMR analysis indicate that currently 47.2% of all workers in the Austin area are located in office space, however, the percentage by industry group range from a low of 5% in Hospitality to 84% in Information. Based on the predicted shift in industry mix, this percentage is forecasted to decline slightly to 46.8% in 2027. CMR has also estimated that each office worker will need an average of 225 sq.ft. of space.

The final step to estimate the proportion of office demand that is likely to be absorbed in multi-tenant office buildings is to determine the percentage of owner occupied buildings and subtracting office workers in those buildings from the total absorption demand. It is likely that multi-tenant leasing will dominate, as a substantial amount of new office space is now available, and the desire to move rapidly into already completed and relatively affordable space drives the decision-making in many companies. Based on the 2018 Travis Central Appraisal District (TCAD) records and the inventory of multi-tenant buildings, multi-tenant space accounts for 64% of total office space demand. By using the employment forecast shown in Table (1), CMR has concluded that the Austin MSA will absorb an average of about 1.5 million square feet of "multi-tenant" office space annually from 2018 to 2027.

Using the ten year forecast to establish a longer term trend, CMR has estimated employment growth from 2028 to 2040 using 2.0%, which is the average for the 2018 to 2027 time period. The percentage of workers in office space was also estimated by extrapolating the annual change in the office worker percentage (-0.06%) through 2040. The space per employees (225 square feet) and the percentage of total office workers in multi-tenant buildings (64%) was assumed to remain constant. The resulting forecast shows an annual multi-tenant office absorption of 1,623,849 square feet.

Table (9)

Office Employment Growth

Austin-Round Rock MSA

Year	Total Wage & Salary Emp.	Percent Office Employment	Office Employment	Annual Change	Office Space Absorption	Multi-Tenant Space Absorption
2018	1,067,600	41.6%	444,331	11,907	2,679,022	1,794,945
2019	1,095,000	41.5%	453,881	9,550	2,148,833	1,439,718
2020	1,114,400	41.3%	460,499	6,618	1,489,003	997,632
2021	1,131,000	41.2%	466,147	5,648	1,270,692	851,363
2022	1,157,600	41.1%	476,021	9,875	2,221,841	1,488,634
2023	1,179,500	41.1%	484,246	8,225	1,850,612	1,239,910
2024	1,201,100	41.0%	492,525	8,278	1,862,600	1,247,942
2025	1,221,700	41.0%	500,443	7,918	1,781,640	1,193,699
2026	1,240,800	40.9%	507,917	7,474	1,681,710	1,126,745
2027	1,259,800	40.9%	515,414	7,496	1,686,674	1,130,071
2028	1,285,173	40.8%	524,554	9,141	2,056,681	1,377,976
2029	1,311,058	40.7%	533,854	9,300	2,092,485	1,401,965
2030	1,337,464	40.6%	543,316	9,462	2,128,897	1,426,361
2031	1,364,401	40.5%	552,942	9,626	2,165,926	1,451,171
2032	1,391,881	40.4%	562,736	9,794	2,203,584	1,476,401
2033	1,419,915	40.3%	572,700	9,964	2,241,880	1,502,059
2034	1,448,513	40.2%	582,837	10,137	2,280,824	1,528,152
2035	1,477,687	40.1%	593,150	10,313	2,320,428	1,554,687
2036	1,507,449	40.0%	603,642	10,492	2,360,702	1,581,671
2037	1,537,810	39.9%	614,316	10,674	2,401,657	1,609,110
2038	1,568,783	39.9%	625,175	10,859	2,443,305	1,637,014
2039	1,600,380	39.8%	636,223	11,047	2,485,655	1,665,389
2040	1,632,613	39.7%	647,461	11,239	2,528,721	1,694,243
Total				215,037	48,383,372	32,416,859

Source: *Employment Forecast from Table (1)* *empgro_Austin_2018.xls*

Note: *Office Employment is estimated to range from 42.0% to 40.9% of Total Employment, based on CMR occupation survey*
Employment to space ratio estimated to be 225 sq. ft. per person
Multi-tenant space estimated to be 67% of the total demand

Market Area and Subject Absorption Forecast

Since 2010, the office market conditions in the Downtown and Near South Central market area has experienced a dramatic improvement from the negative absorption and stagnant rent growth experienced because of the economic downturn in 2009. The recession effectively curtailed any short term plans for development, but the market is now experiencing a dramatic resurgence, with over 1.9 million square feet of Class "A" office delivered since 2013, and 1,249,419 currently under construction.

The downtown and Near South Central market is currently 93.1% occupied, and as noted earlier, there are very few large blocks of existing space available for lease. Due to the continued high occupancy rates, and strong demand, most of the future absorption will take place in buildings that are planned for completion over the next few years. CMR has estimated that a proportionate share of absorption will take place in the subject market area from 2018 through 2040 based on the 23.1% historical capture rate experienced in the market area from 2004 through June 2018. Based on these assumptions, and the planned site inventory and future construction schedule previously discussed, an absorption and occupancy forecast was developed and is shown in Table (10) on the following page.

Table (10)

Office Absorption and Occupancy Forecast

Downtown Austin

Year	Net Rentable Area	Additions (Sq.Ft.)	Sq.Ft Available	Percent Occupied	Absorption (Sq.Ft.)
2005	8,769,657	...	1,734,438	80.2%	...
2006	8,752,856	(16,801)	1,473,776	83.2%	243,861
2007	8,720,545	(32,311)	1,205,901	86.2%	235,564
2008	8,813,640	93,095	1,107,815	87.4%	191,181
2009	9,010,983	197,343	1,595,978	82.3%	(290,820)
2010	8,801,609	(209,374)	1,116,519	87.3%	270,085
2011	8,917,922	116,313	1,261,541	85.9%	(28,709)
2012	8,928,769	10,847	995,017	88.9%	277,371
2013	8,750,476	(178,293)	1,065,855	87.8%	(249,131)
2014	9,463,781	713,305	694,959	92.7%	1,084,201
2015	9,750,466	286,685	604,827	93.8%	376,817
2016	9,953,058	202,592	574,157	94.2%	233,262
2017	10,804,912	851,854	748,519	93.1%	813,711
2018	11,149,912	345,000	595,659	94.7%	497,860
2019	11,389,331	239,419	432,233	96.2%	402,845
2020	11,691,331	302,000	471,157	96.0%	263,076
2021	12,586,331	895,000	1,137,949	91.0%	228,208
2022	12,586,331	0	737,838	94.1%	400,111
2023	12,914,331	328,000	737,714	94.3%	328,125
2024	13,240,331	326,000	738,009	94.4%	325,705
2025	13,549,331	309,000	737,651	94.6%	309,358
2026	13,836,331	287,000	738,031	94.7%	286,620
2027	14,120,331	284,000	738,356	94.8%	283,675
2028	14,489,331	369,000	738,627	94.9%	368,729
2029	14,865,331	376,000	738,994	95.0%	375,632
2030	15,248,331	383,000	739,330	95.2%	382,664
2031	15,638,331	390,000	739,503	95.3%	389,827
2032	16,035,331	397,000	739,380	95.4%	397,123
2033	16,440,331	405,000	739,825	95.5%	404,555
2034	16,852,331	412,000	739,700	95.6%	412,125
2035	17,272,331	420,000	739,864	95.7%	419,836
2036	17,700,331	428,000	740,174	95.8%	427,690
2037	18,136,331	436,000	740,483	95.9%	435,691
2038	18,580,331	444,000	740,643	96.0%	443,840
2039	19,032,331	452,000	740,503	96.1%	452,140
2040	19,493,331	461,000	740,907	96.2%	460,595

Source: Capitol Market Research, September 2018

offsum_cbdnsc_2018.xls

Additions to inventory in 2018 - 2022 are based on the delivery of buildings currently under construction or planned with a definitive delivery date.

The office space additions shown for 2023 - 2040 above are assumed to approximately equal absorption

South Central Waterfront Office Absorption

The previous sections have discussed the regional office market and the growth statistics related to the office market in Downtown and Near South Central Austin. The data shows that the subject market area continues to be competitive in the regional office context and has maintained a healthy share of new office construction and absorption while also commanding the highest average rental rates in the city. As discussed earlier, the success of the market area in a regional context is largely due to the rich mix of land uses in close proximity, and the walkable character of the Downtown near South Central neighborhoods. The continuing success of the market area is also dependent upon the availability of vacant land, and the redevelopment of underutilized parcels.

In 2010, the City of Austin completed the Austin Downtown Master Plan which outlined a vision for the CBD that included a proposed land use plan for sub districts within the CBD. As part of the future land use plan, the master plan consultants identified "opportunity sites." These opportunity sites were either vacant (in 2010) or have low density improvements which do not reflect the highest and best use of the property. Current CBD zoning allows an 8:1 FAR unless the site is within an historic district (like West 6th Street) or is within a protected Capital View Corridor (CVC). On some sites the owner has achieved a higher density "bonus" that increased the FAR. Taking the FAR constraints into consideration, the Master Plan consultants identified the potential for adding approximately 37.2 million square feet of additional building net rentable space in the CBD. Over the last few years the City of Austin has pursued a planning exercise for the South Central Waterfront (SCW) District, an area viewed by many as the southern extension of the CBD. According to the South Central Waterfront Vision Framework Plan (adopted in June 16, 2016), more than 8 million square feet of new development could be built under the proposed framework plan. While actual development may deviate from the assumed test scenario, CMR assumes that this is a reasonable estimate of the development opportunity in the SCW planning area.

In 2017, Nelsen Nygaard completed the Downtown Austin Parking Strategy Plan for the Downtown Austin Alliance. Part of the plan included an opportunity site assessment (update) which was completed by McCann Adams Studio. The Downtown site assessment shows a total of 37.8 million square feet of development opportunity, which assumes that all sites are built to their maximum F.A.R., including a density bonus. Within the South Central Waterfront District there is a potential to develop 8.5 million square feet of development (congruent with the regulating plan), which is 18.4% of the total development potential in the CBD, plus the SCW (46.3 m. sq. ft.).

A preliminary estimate of the office absorption potential for the South Central Waterfront was calculated for the Potential TIRZ district using the proportional share of the downtown development potential (17.8%) combined with an estimate of the "competitive" share. This competitive share reflects the change in character likely to occur as a result of the implementation of the planned South Central framework plan and significant infrastructure improvements. The "blended" capture rate is the average of the proportional and competitive share. This absorption forecast is shown on Table (11) on the following page.

Table (11)

Office Space Absorption Forecast

Downtown Austin and the South Central Waterfront

Year	Citywide Absorption	CBD + NSC Market %	Market Area (CBD + NSC) Absorption	Market Area Additions	South Central Waterfront				
					Proportional Capture Rate	Competitive Capture Rate	Blended Rate	Absorption Potential in SCW	Cummulative Potential Absorption
2018	2,156,064	*23.1%*	497,860	345,000	18.4%	18.4%	18.4%	91,630	91,630
2019	1,744,589	*23.1%*	402,845	239,419	18.4%	19.4%	18.9%	76,120	167,750
2020	1,139,292	*23.1%*	263,076	302,000	18.4%	20.4%	19.4%	51,001	218,752
2021	988,292	*23.1%*	228,208	895,000	18.4%	21.3%	19.9%	45,362	264,114
2022	1,732,745	*23.1%*	400,111	0	18.4%	22.3%	20.4%	81,496	345,610
2023	1,420,998	*23.1%*	328,125	328,000	18.4%	23.3%	20.9%	68,445	414,054
2024	1,410,517	*23.1%*	325,705	326,000	18.4%	24.3%	21.4%	69,539	483,593
2025	1,339,726	*23.1%*	309,358	309,000	18.4%	25.3%	21.8%	67,567	551,160
2026	1,241,255	*23.1%*	286,620	287,000	18.4%	26.3%	22.3%	64,008	615,168
2027	1,228,502	*23.1%*	283,675	284,000	18.4%	27.2%	22.8%	64,743	679,911
2028	1,596,842	*23.1%*	368,729	369,000	18.4%	28.2%	23.3%	85,965	765,876
2029	1,626,738	*23.1%*	375,632	376,000	18.4%	29.2%	23.8%	89,418	855,294
2030	1,657,191	*23.1%*	382,664	383,000	18.4%	30.2%	24.3%	92,971	948,265
2031	1,688,210	*23.1%*	389,827	390,000	18.4%	31.2%	24.8%	96,625	1,044,890
2032	1,719,807	*23.1%*	397,123	397,000	18.4%	32.1%	25.3%	100,383	1,145,273
2033	1,751,992	*23.1%*	404,555	405,000	18.4%	33.1%	25.8%	104,247	1,249,520
2034	1,784,775	*23.1%*	412,125	412,000	18.4%	34.1%	26.3%	108,221	1,357,741
2035	1,818,168	*23.1%*	419,836	420,000	18.4%	35.1%	26.8%	112,307	1,470,048
2036	1,852,183	*23.1%*	427,690	428,000	18.4%	36.1%	27.2%	116,508	1,586,556
2037	1,886,830	*23.1%*	435,691	436,000	18.4%	37.1%	27.7%	120,826	1,707,382
2038	1,922,121	*23.1%*	443,840	444,000	18.4%	38.0%	28.2%	125,265	1,832,646
2039	1,958,069	*23.1%*	452,140	452,000	18.4%	39.0%	28.7%	129,827	1,962,473
2040	1,994,684	*23.1%*	460,595	461,000	18.4%	40.0%	29.2%	134,516	2,096,989
Total			8,696,031	8,688,419			24.1%	2,096,989	

Source:Capitol Market Research, September 2018 offsum_cbdnsc_2018.xls

Capture rate based (in part) on the South Central Waterfront potential development of opportunity sites as a percentage of the total CBD plus the SCW district.

Table (12)

Office Space Absorption Forecast

South Central Waterfront District

Year	South central Waterfront				
	Subject Demand	Cumulative Demand	New Sq.Ft. Added	Cumulative Sq.Ft. Added	Cumulative less Sq.Ft. Added
2018	91,630	91,630	0	0	91,630
2019	76,120	167,750	0	0	167,750
2020	51,001	218,752	0	0	218,752
2021	45,362	264,114	325,000	325,000	(60,886)
2022	81,496	345,610	0	325,000	20,610
2023	68,445	414,054	68,000	393,000	21,054
2024	69,539	483,593	70,000	463,000	20,593
2025	67,567	551,160	68,000	531,000	20,160
2026	64,008	615,168	64,000	595,000	20,168
2027	64,743	679,911	65,000	660,000	19,911
2028	85,965	765,876	86,000	746,000	19,876
2029	89,418	855,294	89,000	835,000	20,294
2030	92,971	948,265	93,000	928,000	20,265
2031	96,625	1,044,890	97,000	1,025,000	19,890
2032	100,383	1,145,273	100,000	1,125,000	20,273
2033	104,247	1,249,520	104,000	1,229,000	20,520
2034	108,221	1,357,741	108,000	1,337,000	20,741
2035	112,307	1,470,048	112,000	1,449,000	21,048
2036	116,508	1,586,556	117,000	1,566,000	20,556
2037	120,826	1,707,382	121,000	1,687,000	20,382
2038	125,265	1,832,646	125,000	1,812,000	20,646
2039	129,827	1,962,473	130,000	1,942,000	20,473
2040	134,516	2,096,989	135,000	2,077,000	19,989
Total	2,096,989		2,077,000		

Source: Capitol Market Research, September 2018 offsum_cbd_2018.xls

APARTMENT MARKET CONDITIONS

Apartment Market Trends in the Austin MSA

Traditionally, apartment projects in Austin have been clustered near activity centers, major employers and the university areas. Examples of this phenomenon include the cluster of apartments near IBM, Dell, Abbott Labs and Seton Hospital as well as the apartments surrounding the University of Texas, St. Edwards University, and the various Austin Community College campus locations. In the recent past, the Central Business District had relatively few residential rental units in inventory. However, since 2009 and 2010, several new communities were developed within the area, with construction continuing into 2016.

Market conditions in the Austin area multi-family market were volatile in the eighties, when Federal Tax Policy caused dramatic overbuilding of the apartment market in 1985 and 1986, followed by several years of inactivity. After dropping to 80% occupancy in the mid-eighties, occupancy rates steadily increased, and by 1990, rapid rent escalation was underway. However, it was not until 1993 that overall market rental rates were high enough to support widespread construction activity.

As Austin's economy experienced robust growth in the early nineties, the resurgence of multi-family construction began in 1991 when 148 units were constructed and 220 units were absorbed. At that time citywide occupancy was at 93.7% and apartments leased for an average $0.57 per square foot. From that period through mid-1996, average rent per square foot and absorption accelerated dramatically. Occupancy first peaked in December 1994 at 97.4%, and then again in June 2000 (at 98.2%), while new unit completions peaked in 1996 at 6,405 units and then again at 8,472 in 2001. Since 1996, the pace of new construction fluctuated from year to year but both occupancy and average rental rates increased steadily through the end of 2000.

In 2001, for the first time in many years, new unit completions dramatically exceeded absorption and the market plunged from 97.6% in January to 90.0% by the end of the year. Rents dropped precipitously, but the building continued into 2002, in spite of the softness in the market. Beginning in late 2003, new construction activity began to diminish and regional apartment demand regained strength which resulted in the positive absorption trend through 2004, 2005, 2006 and 2007. However, in 2008 the market occupancy rate decreased 5.2 percentage points from 2007, with additional drops in 2009 occupancy (90.4%) and rental rates ($0.93). December 2010 and 2011 saw a rapid recovery, and by 2012[1], rental rates had increased again to $1.12, a $0.07 increase since December 2011, and occupancy also increased to reach an astonishing 97.4%. In December 2014, rental rates climbed to $1.26, and occupancy has dropped slightly to 94.0%, before reaching $1.35 at 94.5% in December 2015.

Current Market Conditions

There were 43,611 net units added between 2010 and 2016, including new units, renovations added back into inventory, and those units removed from inventory due to either a condo conversion or demolition, including the highest number of units added in one year since the late 1980s (10,371 units in 2014). From 2010 through 2013, absorption was very strong as net units added were consistently less than unit demand. The December 2014 Capitol Market Research (CMR) Survey showed 10,371 net units added in

[1] The December 2012 multi-family survey was the first year that incorporated San Marcos and Georgetown.

2014, the most net units added in the area in a calendar year for over 20 years. This increased rate of construction, cumulating with the opening multiple new projects at the end of the year, resulted in a lower than expected net absorption rate and a decline in occupancy. However, the December 2015 survey showed a return to strong annual absorption, with 9,347 units absorbed, the highest rate of absorption ever recorded, and the occupancy rate rose to 94.5%. December 2016 saw a net addition of 10,780 units, topping the previous record set in 2014. Although absorption remained strong in 2016, the occupancy rate dipped to 93.8%, and rental rates increased slightly since the end of 2015 to $1.39 per square foot.

The most recent survey data, completed by CMR in June 2018, shows a net addition of 5,828 units, less than the record achieved the previous year. Absorption was 7,641 units, raising the occupancy rate to 93.2%, as 45 projects continue their lease-up. Rental rates have risen since the $1.39 seen in December 2017, up to $1.44 per square foot. Table (13), on the following page, provides apartment market conditions from December 1991 through June 2018. Historical data on occupancy, average rent, unit completions and absorption for 1991 through 2017 is taken from CMR's Austin Apartment Survey, a semi-annual survey of all projects with more than 50 units in the Austin area.

Table (13)

Austin Citywide Apartment Summary

December 1991 - June 2018

Year	Total Units	Occupied Units	Percent Occupied	Net Units Added	Calculated Absorption	Rent per Sq.Ft.
1991	61,113	57,266	93.7%	148	220	$0.57
1992	61,118	58,448	95.6%	348	1,160	$0.64
1993	63,074	61,174	97.0%	594	1,229	$0.71
1994	66,379	64,662	97.4%	2,178	2,212	$0.75
1995	69,324	67,101	96.8%	3,010	3,098	$0.79
1996	77,019	71,452	92.8%	7,384	3,882	$0.81
1997	81,382	77,270	94.9%	4,770	5,697	$0.82
1998	86,428	83,683	96.8%	4,778	5,929	$0.86
1999	89,699	87,531	97.6%	2,499	3,643	$0.91
2000	96,114	93,786	97.6%	5,923	5,773	$0.98
2001	105,162	94,651	90.0%	9,351	1,368	$0.94
2002	113,380	99,794	88.0%	8,432	4,925	$0.86
2003	120,169	107,290	89.3%	4,912	5,828	$0.81
2004	122,323	111,786	91.4%	2,262	4,133	$0.81
2005	124,325	117,389	94.4%	1,819	6,243	$0.85
2006	126,842	120,304	94.8%	2,993	2,356	$0.91
2007	128,900	124,558	96.6%	3,416	5,562	$0.96
2008	137,005	125,284	91.4%	8,404	1,526	$0.97
2009	145,734	131,686	90.4%	9,025	6,750	$0.93
2010	147,045	139,361	94.8%	2,906	8,773	$0.98
2011	147,648	141,614	95.9%	576	2,245	$1.05
2012	164,143	159,918	97.4%	4,222	6,441	$1.12
2013	170,234	164,917	96.9%	6,087	4,589	$1.21
2014	180,519	169,732	94.0%	10,371	4,279	$1.26
2015	189,320	178,901	94.5%	8,669	9,347	$1.35
2016	200,028	187,718	93.8%	10,780	8,770	$1.39
2017	210,655	194,253	92.2%	10,727	5,891	$1.39
Jun-18	216,483	201,857	93.2%	5,828	7,641	$1.44

Source: Capitol Market Research, December 1991 - June 2018 Apartment Market Survey

CMR estimates of new completions based on surveys of property managers and owners

Net Units added and Absorption are calculated numbers, and will take into account new units, added older inventory, "retired" inventory, and remodeled units.

Georgetown and San Marcos included in totals starting in 2012

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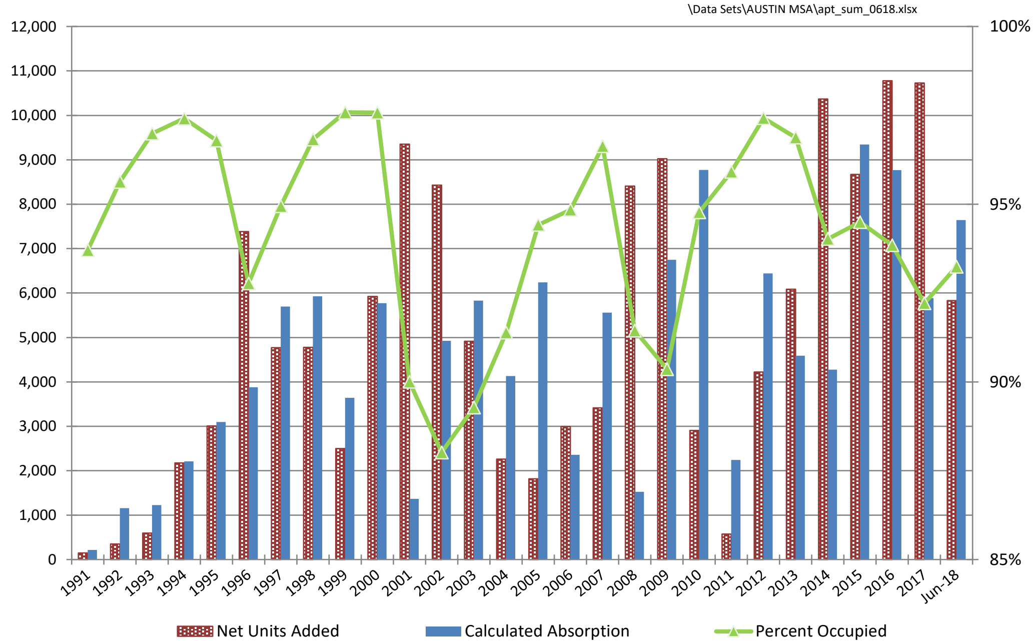


Downtown and Near South Central
Multi-Family Housing Market Conditions

Overview

In June 2018, Capitol Market Research surveyed 46 active (open and leasing) apartment communities in the Downtown and Near South Central market area, with a total of 9,699 units and a current occupancy rate of 94.9%, including the successful lease-up of three new properties, Northshore, Post South Lamar (PH. II), and Water Marq. Average rents have increased substantially to $2.44, a $0.15 increase since December 2017. Unlike some larger and more mature cities, the downtown and Near South Central market area has only emerged recently as a distinct submarket, since 7,525 (77.6%) of the 9,699 total units have been completed since the beginning of 2000. An historical summary of the market area inventory, occupancy, and rents is shown on Table (14) on page 34.

New Construction Trends

The Downtown and Near South Central market area is composed of three distinct structure types: high rise, mid-rise wrap/podium and garden style walk-up. New multi-family construction has increased dramatically in the market area since 2000 when only a handful of older properties existed. The transition from garden style walk-up with surface parking to mid-rise product (with elevators and structured parking) started in the early 2000s with Gables West Avenue, which was completed in 2001. The transition from mid-rise to tower construction began with AMLI Downtown (2004). Since that time, the density of the multi-family projects has increased, and now the majority of new projects completed and planned are mid-rise wrap (or podium) and high-rise towers. The multi-family market in the subject market area has seen a substantial increase in interest from renters seeking a more "urban" lifestyle in a low maintenance residence with easy access to employment and entertainment opportunities in and around the area. The market has responded to renter needs, and currently there are a wide variety of product types in the market area.

New construction in the market area has been very active, with 21 new projects completed since the beginning of 2010. Eight of these 21 new projects are high-rise towers (7 in the CBD), which offer very high grade finishes and extensive project amenities which justify a higher than average rent. Within the market area, there are thirteen apartment towers with a total of 3,619 rentable units. The average rent among the towers has increased from $1.82 in 2004 to $2.21 in 2007, with current rates of $2.88 per square foot. Occupancy rates, which have been impacted by new deliveries, range from a low of 60.2% in 2004, when the first new tower opened, to a high of 98.2% in 2007. Currently, the high rise towers in the market area have an occupancy rate of 96.5%, including the stabilization of Northshore, the newest apartment tower.

The three most recently completed projects are Northshore, a class "A+" high rise which is a part of the Green Water Development, and two midrise wrap projects (Post South Lamar Ph. II and Water Marq) located in the Near South Central market area. Two of the newer high rise properties (The Bowie, Northshore) are currently leasing at the highest rates in the market area, at $3.33 and $3.34 per square foot, respectively. There are only two properties currently under construction in Downtown Austin, although one additional property, Rise on 8th, was recently completed, but converted to a "time-share" hotel. Gables Republic Square, a Hotel ZaZa with 195 apartment units above, is scheduled for delivery in March 2019, and 1301 W. 5th Street is a mid-rise property that just recently started construction and should also deliver units in March 2019. In the Near South Central submarket there are no new apartment projects under construction.

Rental Rates

Average rents in Downtown and Near South Central are currently (June 2018) $2.44 per square foot, which is up $0.15since the end of 2017. Within the market area, there are three distinct product types, traditional garden style (walk up) communities, mid-rise product with elevators and adjacent (or "wrapped") structured parking garages, and high rise towers built above (or adjacent to) a parking garage. While the market average is $2.44, the high rise towers average $2.88 per square foot, mid-rise projects average $2.21 per square foot, while the garden style apartments average $1.86 per square foot.

The Downtown and Near South Central market area has consistently had rental rates almost double the rate of the Austin MSA, because of the confirmed and continuing desirability to reside in a live/work/play environment. Both the market area and the Austin MSA average rents have increased since 2009, when the market area was $1.61 and the MSA was $0.93 per square foot. Overall, citywide rental rates achieved an average annual increase of 5.01% between 2009 and 2018, while the subject market area averaged a 4.81% annual increase.

Table (14)

Apartment Market Summary

Downtown and Near South Central

Year	Number of Units	Units Occupied	Occupancy Rate	Net Units Added	Annual Absorption	Rent per Sq. Ft.
2005	3,000	2,854	95.1%	...	...	$1.23
2006	2,971	2,894	97.4%	-29	40	$1.35
2007	2,868	2,827	98.6%	(103)	(67)	$1.42
2008	3,588	3,207	89.4%	720	380	$1.56
2009	4,486	4,152	92.6%	898	945	$1.61
2010	4,878	4,698	96.3%	392	546	$1.77
2011	4,876	4,664	95.7%	(2)	(34)	$1.81
2012	5,034	4,819	95.7%	158	155	$2.01
2013	5,652	5,210	92.2%	618	391	$2.13
2014	6,562	5,892	89.8%	910	682	$2.21
2015	7,972	7,328	91.9%	1,410	1,436	$2.34
2016	9,515	8,433	88.6%	1,543	1,105	$2.32
2017	9,698	8,926	92.0%	183	493	$2.29
2018	9,699	9,201	94.9%	1	275	$2.44

Source: Capitol Market Research December 2005 - June 2018 histocc_apt_cbdnsc.xls

Note: Includes Affordable Housing & Student Housing in market area

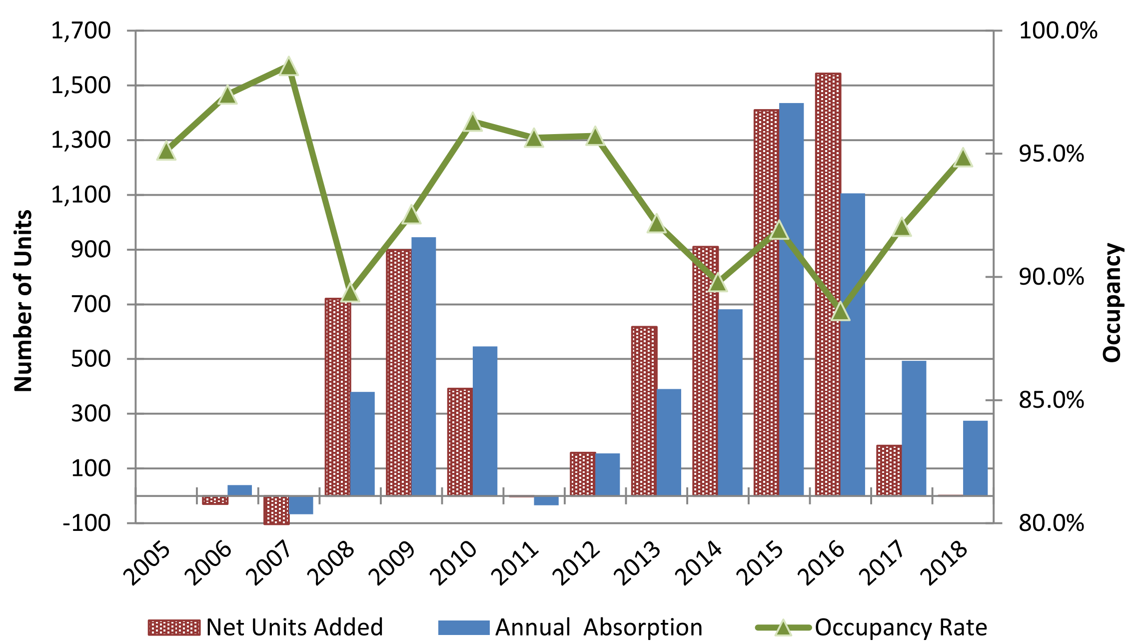


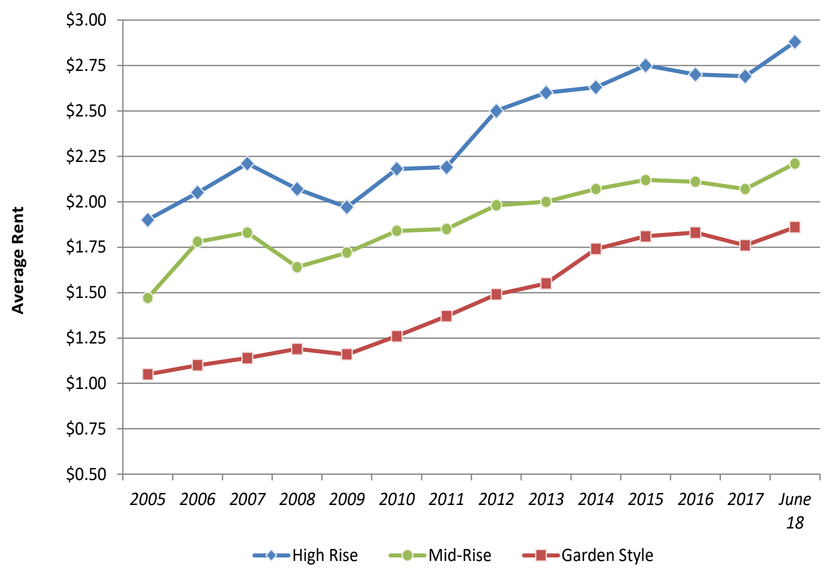
Table (15)

Average Rent by Building Type

Downtown Austin and Near South Central

	2005	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*June 18*
High Rise														
Rentable Units	221	221	221	798	1,196	1,488	1,486	1,493	2,076	2,302	3,180	3,618	3,618	3,619
Average Rent	$1.90	$2.05	$2.21	$2.07	$1.97	$2.18	$2.19	$2.50	$2.60	$2.63	$2.75	$2.70	$2.69	$2.88
Mid-Rise														
Rentable Units	632	632	632	1,012	1,512	1,512	1,512	1,663	1,843	2,703	3,259	4,364	4,547	4,547
Average Rent	$1.47	$1.78	$1.83	$1.64	$1.72	$1.84	$1.85	$1.98	$2.00	$2.07	$2.12	$2.11	$2.07	$2.21
Garden Style														
Rentable Units	2,147	2,118	2,015	1,778	1,778	1,878	1,878	1,878	1,733	1,557	1,533	1,533	1,533	1,533
Average Rent	$1.05	$1.10	$1.14	$1.19	$1.16	$1.26	$1.37	$1.49	$1.55	$1.74	$1.81	$1.83	$1.76	$1.86
Total/Averages														
Rentable Units	3,000	2,971	2,868	3,588	4,486	4,878	4,876	5,034	5,652	6,562	7,972	9,515	9,698	9,699
Average Rent	$1.23	$1.35	$1.42	$1.56	$1.61	$1.77	$1.81	$2.01	$2.13	$2.21	$2.34	$2.32	$2.29	$2.44

Prepared by Capitol Market Research, June 2018 rent_occ.xls



Project Absorption and Lease-Up Rates

The subject market area currently has eight recently completed market rate properties that have stabilized. These eight total properties had a “weighted” average lease-up rate of 17.14 units per month when they were in lease up, ranging from a high of 25.57 units at The Northshore to a low of 12.45 units per month at 422 at the Lake. Table (16) below shows the initial lease-up rates at the eight new market rate communities in the market area, three of which, Northshore, The Bowie, and The Catherine, are high rise towers.

Table (16)

Lease-Up Rates in New Communties

Downtown and Near South Central

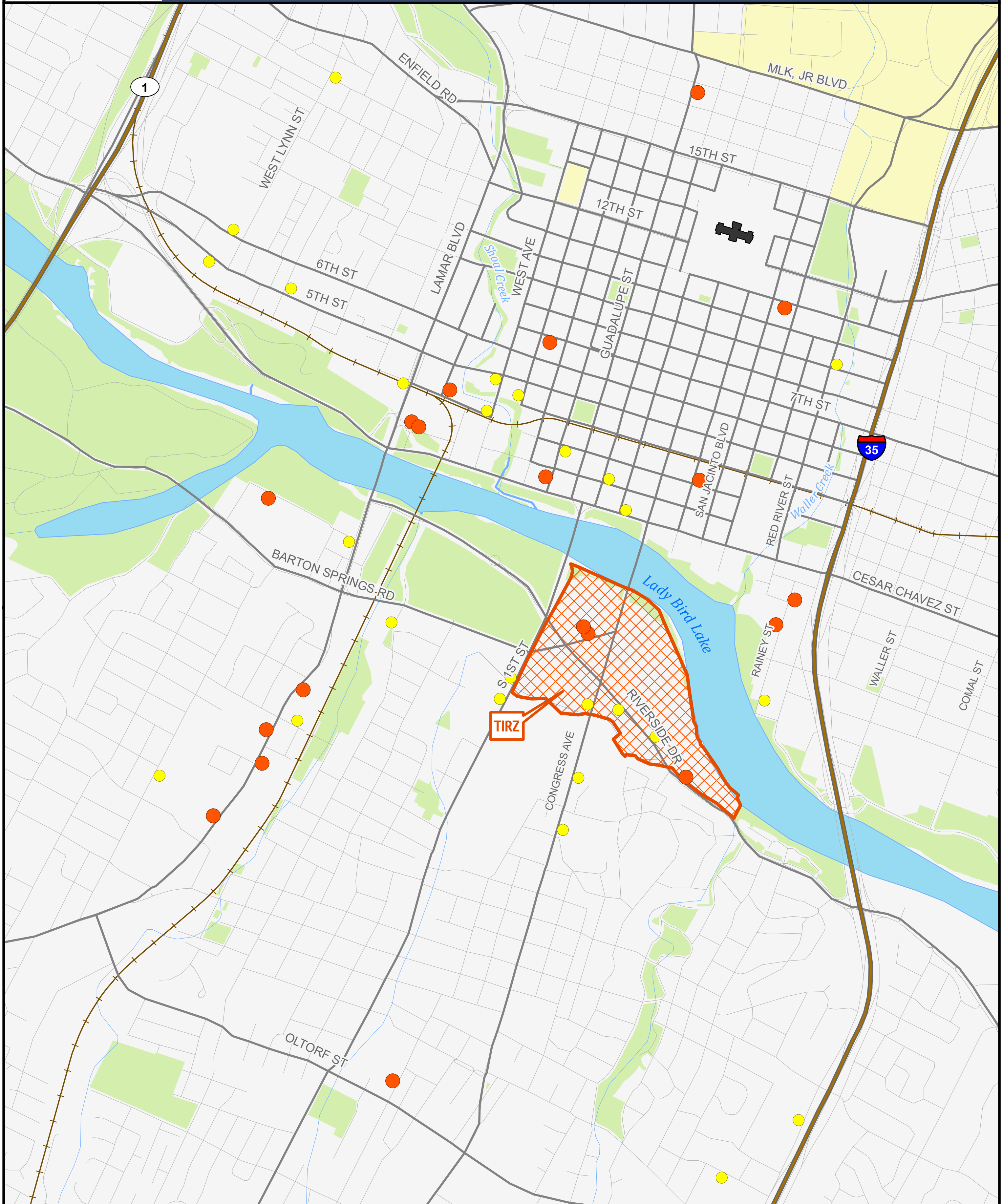
Property	Planned Units	Completed Units	Open Date	Stabilized Date	Units Occupied *(at Stabilization)*	Occupancy Rate *(Stabilized)*	Units/Month Leased
Stabilized Properties							
422 at the Lake	207	207	Apr-16	Jul-17	186	90.0%	12.45
Lamar Union	442	442	Aug-14	Feb-17	398	90.0%	13.31
Millennium Rainey	326	326	Jun-16	Nov-17	293	90.0%	17.10
Northshore	439	439	Mar-16	Jul-17	395	90.0%	25.57
The Bowie	357	357	Jan-15	Mar-17	321	90.0%	12.47
The Catherine	300	300	Jan-15	May-16	270	90.0%	17.66
Water Marq	264	264	Nov-16	Nov-17	238	90.0%	19.96
Windsor South Lamar	340	340	Oct-14	May-16	306	90.0%	16.39
Stabilized Subtotal	2,675	2,675			2,408	90.0%	17.14

Source: Capitol Market Research Apartment Survey, September 2018 absorption.xls

NOTE: The average monthly lease up rate is a weighted average, based on open data and occupied units

Downtown and Near South Central Austin:

Existing Apartment Communties



Date: September 2018

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N

0 0.25 0.5 Miles

Built before 2010

Built in 2010 +

Downtown Austin Demographic Trends

The defined Downtown Austin market area has experienced significant population and household growth since 2000 when the area had 23,174 people living in 12,650 households. Total population in the subject area census tracts grew from 24,644 in 2000 to 30,895 in 2014, an increase of 25.4%. See Table (17) below.

Table (17)

Population and Household Trends

Downtown and Near South Central

	2000	*2010*	*2014*	*Annual Change (2000 - 2014)*
Population	24,644	28,269	30,895	*1.63%*
Households	12,650	15,542	17,128	*2.19%*
Population in Households	23,174	26,770	30,165	*1.90%*
Average HH Size	1.83	1.72	1.76	*-0.28%*
Renter Households	7,935	9,605	10,567	*2.07%*
Percent Renter	*62.73%*	*61.80%*	*61.69%*	*-0.12%*

Source: US Bureau of the Census, 2000, 2010, ACS 2012-2016 demcalc.xls

Note: The ACS 2012-2016 is a rolling 5-year survey, meant to represent the median year of 2014.

Prepared by Capitol Market Research, September 2018

Downtown and Near South Central Austin Population and Household Forecast

According to the U.S. Census Bureau, the Downtown and Near South Central market area contained 1.21% of the population of the Austin MSA in 2010. The population and household forecast, shown in Table (18) below, uses the capture rate (percent of growth in the MSA) for the market area to estimate future household growth, along with the household size based on the change from the US Census 2000 to 2010. The capture rate, rising from 2.11% in 2018 to 2.23% in 2030 and then declining slightly to 1.90% in 2040, is based on the population forecasts in the CAMPO (Capital Area Metropolitan Planning Organization) Regional Transporation Plan. The subject market area is projected to add 1,027 average households per year from 2018 through 2040.

Table (18)

Population and Household Forecast

Downtown and Near South Central

Year	Forecasted MSA Population Growth	MARKET AREA FORECAST						
		Capture Rate	New Population	Household Size	New HH	% of Housing Stock Lost	Housing Stock Turnover	Net HH Increase
2018	63,675	2.11%	1,344	1.72	780	0.50%	98	878
2019	64,869	2.33%	1,514	1.72	879	0.50%	102	981
2020	66,141	2.56%	1,692	1.72	982	0.50%	107	1,089
2021	66,847	2.52%	1,688	1.72	980	0.50%	112	1,092
2022	68,232	2.49%	1,700	1.72	987	0.50%	117	1,104
2023	69,063	2.46%	1,698	1.72	986	0.50%	122	1,108
2024	70,610	2.43%	1,713	1.72	994	0.50%	127	1,121
2025	72,006	2.39%	1,723	1.72	1,000	0.50%	132	1,132
2026	73,035	2.36%	1,724	1.72	1,001	0.50%	137	1,138
2027	74,590	2.33%	1,736	1.72	1,008	0.50%	142	1,150
2028	76,456	2.29%	1,754	1.72	1,018	0.50%	147	1,165
2029	77,901	2.26%	1,762	1.72	1,023	0.50%	152	1,175
2030	79,950	2.23%	1,782	1.72	1,034	0.50%	157	1,192
2031	81,602	2.20%	1,792	1.72	1,040	0.50%	163	1,203
2032	83,862	2.16%	1,814	1.72	1,053	0.50%	168	1,221
2033	86,170	2.13%	1,835	1.72	1,065	0.50%	173	1,239
2034	88,256	2.10%	1,850	1.72	1,074	0.50%	179	1,253
2035	90,833	2.06%	1,875	1.72	1,088	0.50%	184	1,272
2036	93,048	2.03%	1,890	1.72	1,097	0.50%	189	1,287
2037	96,052	2.00%	1,919	1.72	1,114	0.50%	195	1,309
2038	98,741	1.97%	1,940	1.72	1,126	0.50%	201	1,327
2039	101,717	1.93%	1,965	1.72	1,141	0.50%	206	1,347
2040	104,489	1.90%	1,984	1.72	1,152	0.50%	212	1,364

Prepared by: Capitol Market Research, September 2018 demcalc.xls

Notes: MSA population forecast based on the population forecast obtained from Texas State Data Center, Scenario 1.0, 2010 Census. Capture Rate based on market area % of growth in the MSA from 2000 through 2010, and CAMPO 2040 forecasts for the market area. Household size based on US 2010 Census. % of housing stock lost from Pickin & Meyer, 2008.

Downtown Austin Multi-family Demand Forecast

In order to determine the multi-family housing demand in the primary market area (PMA), CMR used the Population and Household Forecast, shown previosuly in Table (18), to estimate total multi-family unit demand. It is assumed that the renter housing tenure will continue to be similar to the 2010 US Census numbers. The percentage multi-family is normally calculated from new building permits issued over the past ten years in the MSA (Texas A&M Real Estate Data Center), which has been 94.2% of rental housing. However, due to the high-density urban character of Downtown Austin, and the resulting high cost of land and the lack of large available tracts of land, there are no for rent townhomes or duplexes being built in the market area. Because of this, CMR has estimated that the percentage multi-family of new rental demand is 100%. Using these estimates, the forecasted new multi-family housing demand from population growth will average 814 units per year from 2018 through 2040, as shown in Table (19) below.

Table (19)

Multi-Family Unit Demand

Downtown and Near South Central

Year	Net HH Increase	MARKET AREA FORECAST			
		% Renter	New Renter HH	% Multi-Family	Multi-Family Demand
2018	878	61.80%	543	100.00%	543
2019	981	61.80%	606	100.00%	606
2020	1,089	61.80%	673	100.00%	673
2021	1,092	61.80%	675	100.00%	675
2022	1,104	61.80%	682	100.00%	682
2023	1,108	61.80%	685	100.00%	685
2024	1,121	61.80%	693	100.00%	693
2025	1,132	61.80%	700	100.00%	700
2026	1,138	61.80%	703	100.00%	703
2027	1,150	61.80%	711	100.00%	711
2028	1,165	61.80%	720	100.00%	720
2029	1,175	61.80%	726	100.00%	726
2030	1,192	61.80%	736	100.00%	736
2031	1,203	61.80%	743	100.00%	743
2032	1,221	61.80%	754	100.00%	754
2033	1,239	61.80%	765	100.00%	765
2034	1,253	61.80%	774	100.00%	774
2035	1,272	61.80%	786	100.00%	786
2036	1,287	61.80%	795	100.00%	795
2037	1,309	61.80%	809	100.00%	809
2038	1,327	61.80%	820	100.00%	820
2039	1,347	61.80%	833	100.00%	833
2040	1,364	61.80%	843	100.00%	843

Prepared by: Capitol Market Research, September 2018 demcalc.xls

Notes: New PMA Households based on Table (X). Percent renter based on 2010 Census. Percent multi-family deemed suitable for the "urban" nature of the market area.

Downtown and Near South Central Competitive Multi-Family Sites

Currently, the market area occupancy is 94.9% occupied, which is a sharp increase from the 92.0% reported at the end of 2017. Recent interviews with the City of Austin planning department, and local brokers and apartment developers, revealed 16 competitive sites for multi-family construction, but none in the South Central Waterfront Study area. Currently, none of these planned projects are “income restricted” or “student” housing. In order to be considered as “planned” competition, the identified site must either be held by or under contract to a developer with known intention to move forward with a multi-family project. Sites are defined as being "potentially competitive" if the land is currently zoned appropriately for multi-family development and utilities are available. In the subject market area, there are a number of potentially competitive sites that have zoning which allows for multi-family and could be developed with new apartments, but as of September 2018, these sites are not considered to be a part of the competitive “pipeline”.

The annual additions to the market area resulting from the development of this potential inventory of multi-family units will vary based on the capacity of the apartment developer to obtain the necessary construction financing and city approvals. It is also possible that other projects not currently in the planning stage could be quickly developed and brought to the market. Thus, the list of planned additions is both actual; because it represents current plans, and representative, because it presents a position that the subject project will be competing with other new apartment projects during the anticipated development horizon. Until construction actually begins, there is always uncertainty regarding project viability and timing.

Table (20)

Multi-Family Sites in Development

Downtown and Near South Central Market Area

Map No	Project	Address	Building Type	Units	Developer	Status	Zoning
1	1155 Barton Springs Rd	1155 Barton Springs Rd	Podium	74	Greystar	Approved	CS-1-V-NP
2	1301 W 5th Street	1301 W. 5th St.	Podium	225	CWS	Construction	LI-PDA-NP
3	5th & Brazos	501 Brazos St.	Tower	298	Magellan Development	Approved	CBD
4	600 Guadalupe	600 Guadalupe St.	Tower	340	Lynd Development	Submitted	CBD
5	610 East 11th Street	610 East 11th Street	Tower	300	Greystar	Expired	CBD
6	91 Red River	91-93 Red River Street	Tower	328	Endeavor	Submitted	CBD
7	Alexan Capital	700 E. 11th St.	Tower	274	Trammell Crow	Approved	CS-CO-NP
8	Block 36	710 E. 3rd Street	Podium	257	Transwestern	Submitted	CBD
9	E. 9th Street Apts	701 E. 9th St.	Podium	152	Sackman Enterprises	Submitted	CBD
10	Gables Republic Square	401 Guadalupe St.	Tower	215	Gables Residential	Construction	CBD
11	Pressler Avenue Apts (300)	300 Pressler Ave.	Podium	112	Riverside Resources	Approved	CS-CO-NP
12	Pressler Avenue Apts (315)	315 Pressler Ave.	Podium	107	Riverside Resources	Approved	CS-CO-NP
13	The Avenue	721 Congress Ave.	Tower	135	Congress Dev. Partners	Approved	CBD
14	The Travis	80 Red River St.	Tower	400	Genesis Real Estate	Submitted	CBD
15	Trinity Tower	401 E. Cesar Chavez St.	Tower	360	World Class Capital	Expired	CBD-CURE
16	Waller Center Building B	92 Red River St.	Tower	295	McCourt/Hines	Approved	CBD-CURE
	Total			**3,872**			

Source: Review of city plats, developer interviews, September 2018 Compsite_apt.xls

Note: (AH) = Affordable Housing, (SH) = Student Housing

**Status of Submitted, Approved, or Expired refer to City of Austin permitting. Proposed project have not yet been submitted to City.*

Downtown Austin and Subject Absorption Forecast

It is estimated that the subject market area will show an average annual demand of 814 new apartment units for 2018 through 2040 (Table (19)). The data shown in Table (21) below shows the timing the planned multi-family projects in the market area. There are currently eight projects "on hold" due to situations such as higher than anticipated construction costs, financing challenges, and right of way disputes. Among the 16 projects listed below, two are under construction and expected to deliver units in 2019, while four more are in the final stage of predevelopment reviews and should start later this fall or in 1Q 2019. Two additional projects will introduce units in 2021. A slight "overbuilt" scenario might develop in 2020, however, "pent-up" demand carried over from an absence of new unit deliveries in 2017 and 2018 will help to mitigate a drop in occupancy during that time. At the present time, only one of the planned projects, 1155 Barton Springs Road, is located south of the river.

Table (21)

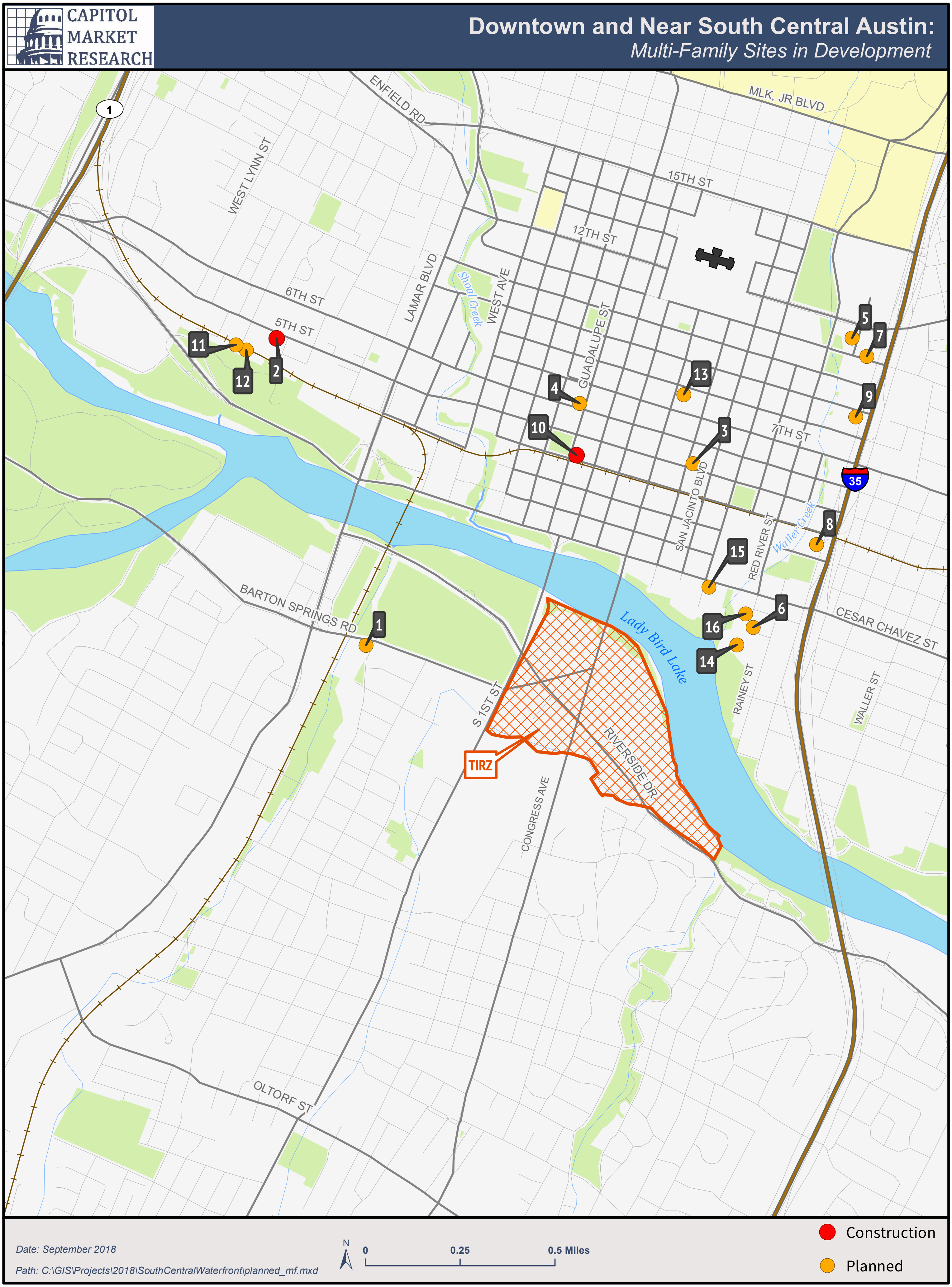
Proposed Project Timing

Downtown and South Central Waterfront

Map No.	Project Name	Units Planned	First Unit Delivery	*2018*	*2019*	*2020*	*2021*	*2022*	*Future*
1	1155 Barton Springs Rd	74	Apr-20	...	...	74	...	...	...
2	1301 W 5th Street	225	Mar-19	...	225		...	...	...
3	5th & Brazos	298	Jan-21	...	...	...	298	...	...
4	600 Guadalupe	340	Nov-21	...	...	...	340	...	...
5	610 East 11th Street	300	*tbd*	...	...	...	...	...	300
6	91 Red River	328	Sep-20	...	...	328	...	...	...
7	Alexan Capital	274	Sep-20	...	...	274	...	...	...
8	Block 36	257	Mar-20	...	...	257	...	...	...
9	E. 9th Street Apts	152	*tbd*	...	...	...	...	...	152
10	Gables Republic Square	215	Mar-19	...	215	...	...	...	...
11	Pressler Avenue Apts (300)	112	*on hold*	...	...	...	...	...	112
12	Pressler Avenue Apts (315)	107	*on hold*	...	...	...	...	...	107
13	The Avenue	135	Mar-20	...	...	...	...	...	135
14	The Travis	400	*tbd*	...	...	...	...	...	400
15	Trinity Tower	360	*on hold*	...	...	...	...	...	360
16	Waller Center Building B	295	*on hold*	...	...	...	...	...	295
	Total New Units:	3,872		0	440	859	638	0	1,861
	Demand:			543	606	673	675	682	
	Annual Excess (shortage) of Demand:			543	166	(186)	37	682	

Source: Review of city plats, developer interviews, September 2018

Compsite_apt.xls


CAPITOL MARKET RESEARCH
Downtown and Near South Central Austin:
Multi-Family Sites in Development
MLK, JR BLVD
ENFIELD RD
15TH ST
12TH ST
WEST LYNN ST
6TH ST
5TH ST
LAMAR BLVD
Shoal Creek
WEST AVE
GUADALUPE ST
7TH ST
SAN JACINTO BLVD
RED RIVER ST
Waller Creek
CESAR CHAVEZ ST
BARTON SPRINGS RD
Lady Bird Lake
S 1ST ST
TIRZ
CONGRESS AVE
RIVERSIDE DR
RAINEY ST
WALLER ST
OLTORF ST
1
35
1
2
3
4
5
6
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14
15
16
Date: September 2018
Path: C:\GIS\Projects\2018\SouthCentralWaterfront\planned_mf.mxd
N
0
0.25
0.5 Miles
Construction
Planned

South Central Waterfront Multi-Family Absorption

The previous sections have discussed the regional multi-family market and the growth statistics related to the multi-family market in Downtown and Near South Central. The data shows that the market area continues to be competitive in the regional multi-family context and has maintained a healthy share of new multi-family construction and absorption while also commanding the highest average rental rates in the city. As discussed earlier, the success of the Downtown and Near South Central in a regional context is largely due to the rich mix of land uses in close proximity and the walkable character of the downtown district. The continuing success of the market area is also dependent upon the availability of vacant land, and the redevelopment of underutilized parcels.

In 2010, the City of Austin completed the Austin Downtown Master Plan which outlined a vision for the CBD that included a proposed land use plan for sub districts within the CBD. As part of the future land use plan, the master plan consultants identified "opportunity sites." These opportunity sites were either vacant (in 2010) or have low density improvements which do not reflect the highest and best use of the property. Current CBD zoning allows an 8:1 FAR unless the site is within an historic district (like West 6th Street) or is within a protected Capital View Corridor (CVC). On some sites the owner has achieved a higher density "bonus" that increased the FAR. Taking the FAR constraints into consideration, the Master Plan consultants identified the potential for adding approximately 37.2 million square feet of additional building net rentable space in the CBD. Over the last few years the City of Austin has pursued a planning exercise for the South Central Waterfront (SCW) District, an area viewed by many as the southern extension of the CBD. According to the South Central Waterfront Vision Framework Plan (adopted in June 16, 2016), more than 8 million square feet of new development could be built under the proposed framework plan. While actual development may deviate from the assumed test scenario, CMR assumes that this is a reasonable estimate of the development opportunity in the SCW planning area.

In 2017, Nelsen Nygaard completed the Downtown Austin Parking Strategy Plan for the Downtown Austin Alliance. Part of the plan included an opportunity site assessment (update) which was completed by McCann Adams Studio. The Downtown site assessment shows a total of 37.8 million square feet of development opportunity, which assumes that all sites are built to their maximum F.A.R., including a density bonus. Within the South Central Waterfront District there is a potential to develop 8.2 million square feet of development (congruent with the regulating plan), which is 18.4% of the total development potential in the CBD, plus the SCW (46.3 m. sq. ft.).

A preliminary estimate of the office absorption potential for the South Central Waterfront was calculated for the Potential TIRZ district using the proportional share of the downtown development potential (18.4%) combined with an estimate of the "competitive" share. This competitive share reflects the change in character likely to occur as a result of the implementation of the planned South Central framework plan and significant infrastructure improvements. The "blended" capture rate is the average of the proportional and competitive share. This absorption forecast is shown on Table (20) on the following page.

Table (22)

South Central Waterfront

Annual Apartment Unit Absorption Potential

Date	CBD and NSC Absorption	CBD and NSC New Completions	South Central Waterfront				
			Propotional Market Share	Competitive Market Share	Blended Share	SCW Absorption Potential	Cummulative Absorption Potential
2018	543	0	18.4%	18.4%	18.4%	100	100
2019	606	440	18.4%	18.7%	18.6%	112	212
2020	673	859	18.4%	19.0%	18.7%	126	338
2021	675	638	18.4%	19.3%	18.9%	127	465
2022	682	0	18.4%	19.6%	19.0%	130	595
2023	685	682	18.4%	19.9%	19.2%	131	726
2024	693	1,382	18.4%	20.2%	19.3%	134	860
2025	700	700	18.4%	20.5%	19.5%	136	996
2026	703	700	18.4%	20.8%	19.6%	138	1,134
2027	711	700	18.4%	21.1%	19.8%	140	1,274
2028	720	700	18.4%	21.4%	19.9%	143	1,418
2029	726	700	18.4%	21.7%	20.1%	146	1,563
2030	736	700	18.4%	22.0%	20.2%	149	1,712
2031	743	700	18.4%	22.3%	20.4%	151	1,863
2032	754	800	18.4%	22.6%	20.5%	155	2,018
2033	765	800	18.4%	22.9%	20.7%	158	2,176
2034	774	800	18.4%	23.2%	20.8%	161	2,337
2035	786	800	18.4%	23.5%	21.0%	165	2,502
2036	795	800	18.4%	23.8%	21.1%	168	2,669
2037	809	800	18.4%	24.1%	21.3%	172	2,841
2038	820	800	18.4%	24.4%	21.4%	176	3,017
2039	833	800	18.4%	24.7%	21.6%	179	3,196
2040	843	800	18.4%	25.0%	21.7%	183	3,379
Total	16,777				20.1%	3,379	

Source: *Planned unit completions from Table (19)*

compsite_apt_cbdnsc.xls

CBD Absorption forecast from Table (17). Proportionate share based on perctage of opportunity site FAR

Competitive share shows the area increasing share as the South Central Waterfront Plan is built and programmed

Table (23)

Multi-Family Absorption Forecast

South Central Waterfront

Year	South Central Waterfront				
	Subject Demand	Cumulative Unit Demand	New Units Added	Cumulative units Added	Cumulative Demand less Units Added
2018	100	100	0	0	100
2019	112	212	0	0	212
2020	126	338	0	0	338
2021	127	465	0	0	465
2022	130	595	130	130	465
2023	131	726	130	260	466
2024	134	860	130	390	470
2025	136	996	140	530	466
2026	138	1,134	140	670	464
2027	140	1,274	140	810	464
2028	143	1,418	140	950	468
2029	146	1,563	150	1,100	463
2030	149	1,712	150	1,250	462
2031	151	1,863	150	1,400	463
2032	155	2,018	150	1,550	468
2033	158	2,176	160	1,710	466
2034	161	2,337	160	1,870	467
2035	165	2,502	160	2,030	472
2036	168	2,669	170	2,200	469
2037	172	2,841	170	2,370	471
2038	176	3,017	180	2,550	467
2039	179	3,196	180	2,730	466
2040	183	3,379	180	2,910	469
Total	3,379		2,910		

Source: Capitol Market Research, September 2018 compsite_apt_cbdnsc.xls

New Units added for 2018 -2021 from table (19): 2022 through 2040 assumed to roughly equal demand.

DOWNTOWN AUSTIN

ATTACHED HOUSING (CONDO) MARKET CONDITIONS

Condominium Market Trends in the Austin MSA

Historically, attached housing[2] projects in the Austin MSA have been clustered in the central city, mostly in neighborhoods close to downtown, the Arboretum area and the University of Texas. Over the last decade, that area has expanded to include more neighborhoods such as Tarrytown, Bouldin Creek, Travis Heights, Barton Creek, Lakeway, East Austin and the Central Business District (CBD). The combination of strong consumer demand for housing and the rapid escalation of land prices in desirable neighborhoods has provided opportunities for new, higher density housing options. The most viable, and perhaps most successful, emerging market is the CBD. Since 2000, over 2,200 new condominiums units have been completed and absorbed, and many units have sold for prices that exceed $600 per square foot.

The current market trend has a solid footing in basic land economic fundamentals, unlike the condominium construction boom in the mid-eighties, which was fueled by favorable income tax treatment of "passive" real estate investments. In addition to rising single-family home prices, the demand for higher density housing has a strong demographic basis in ageing baby-boomer households and busy young professionals.

In the late nineties there were almost no attached housing projects for sale in Austin. Then in 2000, suburban construction began with the Courtyard Homes at Cobblestone (59 units) and Bouldin Creek Condominiums (33 units). Both projects were enthusiastically received by the young professional homebuyer and sold out quickly. Liberty Hill was also built in 2000, and sold rapidly to both young professionals and the empty nesters that live in the Westlake area. The success of these three projects enticed other developers to explore the market, and most of the new suburban product developed since then has been well received. In roughly the same time period, the downtown condominium market emerged, expanding from two small "adaptive reuse" projects on East Fifth St., to several new condominium towers.

One of the most interesting aspects of this higher density market is the degree to which urban homebuyers are accepting new innovative product, whether it is stark urban lofts in East Austin (The Pedernales), or elegant stone townhomes (Kinney Muse) and combined condo/townhome projects (Denizen) in South Austin, or expensive high-rise condominiums in downtown (The Austonian and the Residences at the Four Seasons). In suburban locations, the product of choice appears to be the small single family home built on a "pad site" in a condominium subdivision.

There are currently several new projects under construction or in the initial preconstruction sales period. Most of these projects are located in central city neighborhoods on major arterials in or close to downtown, but there are also a number of new projects in suburban communities, which include Cedar Park, Georgetown, Lakeway and Round Rock.

[2] Capitol Market Research defines "Attached Housing" as duplex, triplex, fourplex, townhome or condominium units.

Current Market Conditions (MLS)

As discussed above, the attached housing market in the Austin area is rapidly gaining strength and is emerging as an important segment of the new home market. Attached housing sales, as a percentage of total MLS home sales, have fluctuated over the past ten years (2008-2017) within a narrow range between 9.3% and 11.6%, with an average of 10.3%. Recently, in 2017, attached housing sales have increased to 11.61% of all housing sales in the Austin MSA. This percentage is likely to increase over the next few years as more product is brought to the market.

Historically, as demand increased and new, more expensive units were introduced to the market, the average unit sales price of existing units also increased from $148,936 in 2003 to $210,602 in 2007. In 2009, the average price dropped to $176,026 but it has continued to rise since then, reaching $322,278 at the end of 2017. During the first six months of 2018, average sale price of existing attached housing in the Austin MSA rose to $329,913, or $245 per square foot.

Table (24)

Austin MSA Attached Housing Sales

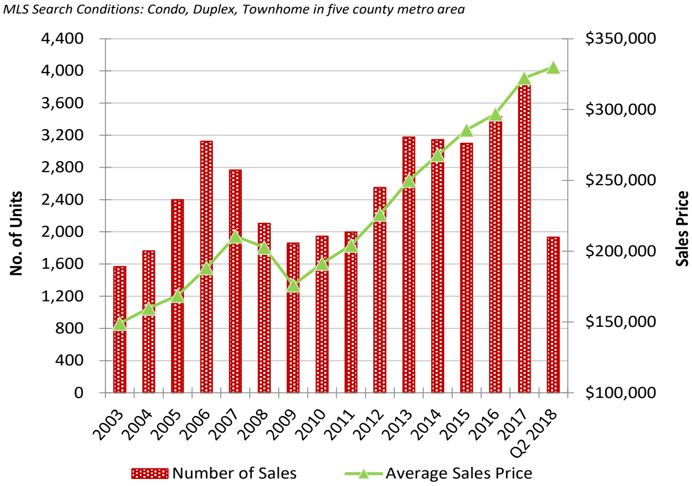
December 2003 - Q2 2018

Year	Number of Sales	Average Sales Price	Average Sq.Ft.	Average $/SF	Average DOM
2003	1,568	$148,936	1,242	$120	64
2004	1,763	$159,662	1,275	$125	81
2005	2,399	$168,652	1,254	$134	74
2006	3,123	$188,212	1,227	$153	58
2007	2,767	$210,602	1,268	$166	53
2008	2,103	$202,649	1,215	$167	72
2009	1,860	$176,026	1,166	$151	82
2010	1,945	$191,274	1,241	$154	80
2011	1,997	$204,103	1,264	$161	89
2012	2,550	$225,877	1,311	$172	70
2013	3,177	$249,849	1,277	$196	47
2014	3,144	$267,939	1,293	$207	38
2015	3,099	$285,482	1,296	$220	39
2016	3,432	$296,822	1,312	$226	53
2017	3,830	$322,278	1,347	$239	51
Q2 2018	1,933	$329,913	1,347	$245	50

Source: Austin Board of Realtors, MLS Database condo_sum.xls

Prepared by Capitol Market Research, July 2018

MLS Search Conditions: Condo, Duplex, Townhome in five county metro area



Current Market Conditions (MetroStudy)

As shown in the historical data on the previous pace, attached housing, most of which are sold as condominium regimes, continue to become an ever increasing segment of the new home market in Austin. A current (4Q 2017) inventory of all actively selling condominium regimes in the Austin area by MetroStudy shows that the Central and West market areas have the highest average prices, at $619,017 and $544,946 respectively. The East, Southeast, and West market areas currently have the smallest amount of under construction and future inventory, while the largest amount of under construction and future inventory is located in North and Central Austin. According to MetroStudy, the average price of all currently active condominiums is $387,847, or $201 per square foot. It should be noted that the price point indicated in the MetroStudy date is a better of reflection of **NEW** condominium inventory, as MLS sales have both new and resales included in their averages.

Table (25)

MetroStudy Active Condominium Summary

Austin MSA

Market Area	No. Projects	Average Price	Average Sq.Ft.	Average Price/Sq.Ft.	Occupied Units	Under Const. Units	Future Units
Central	33	$619,017	1,654	$374	978	1,303	489
East	1	$296,776	2,452	$121	88	3	6
North	38	$293,186	1,893	$155	947	410	1,935
Northwest	14	$349,093	2,120	$165	505	63	660
Southeast	9	$328,031	1,740	$188	479	211	239
Southwest	18	$318,105	1,876	$170	672	186	865
West	20	$544,946	2,440	$223	288	117	584
Total/Average	133	$387,847	1,931	$201	3,957	2,293	4,778

Capitol Market Research, September 2018 metrostudy_4q2017

Data from MetroStudy 4Q 2017 Summary for active condominiums, townhomes, and single family condominium regimes in the Austin area

Note: MetroStudy map showing market area boundaries is found in the Appendix

Austin MSA Condominium Demand Forecast

The condominium demand forecast was also derived for the Austin MSA using the household forecast (Table (18)) and owner households in the MSA according to the US 2010 Census (58.5%). Condo, or "attached" housing demand was estimated to be 10.33% of owner demand, based on the proportion of total MLS sales attributable to all "attached" housing in the Austin MSA in the past 10 years, and will average approximately 1,380 units a year from 2018 through 2040. It is quite likely that this demand will increase as the demand for condominium/attached housing development grows and becomes a more accepted product type in and around the Austin area.

Table (26)

Attached Housing Demand

Austin-Round Rock MSA

Year	New Households	Percent Owner	New Owner Households	Attached Housing Demand
2018	19,512	58.5%	11,412	1,179
2019	19,707	58.5%	11,527	1,191
2020	19,990	58.5%	11,692	1,208
2021	19,980	58.5%	11,686	1,207
2022	20,209	58.5%	11,820	1,221
2023	20,385	58.5%	11,923	1,232
2024	20,669	58.5%	12,089	1,249
2025	20,976	58.5%	12,269	1,267
2026	21,170	58.5%	12,382	1,279
2027	21,495	58.5%	12,572	1,299
2028	21,934	58.5%	12,829	1,325
2029	22,201	58.5%	12,985	1,341
2030	22,658	58.5%	13,252	1,369
2031	23,011	58.5%	13,459	1,390
2032	23,542	58.5%	13,769	1,422
2033	24,048	58.5%	14,066	1,453
2034	24,469	58.5%	14,312	1,478
2035	25,091	58.5%	14,676	1,516
2036	25,590	58.5%	14,967	1,546
2037	26,239	58.5%	15,347	1,585
2038	26,866	58.5%	15,714	1,623
2039	27,514	58.5%	16,093	1,662
2040	28,117	58.5%	16,446	1,699

Source: Household Forecast from Table (4) empgro_austin_2018.xls

Note: Percent Owner (58.5%) based on 2010 Census
Single Family demand based on % of total MLS Sales in the MSA
from 2008 through 2017 (10.33%)

Market Area MLS Attached Housing Sales

Within the Downtown and Near South Central market area, the MLS sales data (including new and resale listings) shows an upward trend over the last decade as overall demand for housing in Austin has increased. MLS sales of townhomes, condos, and duplexes in the market area peaked at 568 in 2013 and finished 2014 with 473 sales. Recently, the pace of sales has been relatively stable, averaging 466 sales from 2014 through the end of 2017. The first six months of 2018 have already seen 251 attached housing sales in the market area. From 2005 through the first two months of 2018, attached housing sales have made up 68.0% of all MLS home sales in the market area, although this percentage has continued to rise from 51.1% in 2005 to a current (2017) percentage of 70.0%.

Average unit prices increased between 2005 and 2007, when it reached $347,668, or $248 per square foot. While total sales and prices fell in 2008 and then again in 2009, as the housing market recovered, prices began to rise at an average of 13.64% per year from 2010 through 2014. Since then, the trend for higher unit prices has continued. In 2015, the average sales price reached $553,399, or $475 per square foot. Through the end of 2016, the average sales price declined slightly to $420,492 ($457 per square foot), and then jumped 12.6% in 2017 to reach $586,284. In the first six months of 2018, the 251 attached housing sales have averaged a sales price of $603,202.

The average unit size has remained relatively stable at approximately 1,200 sq. ft. per unit. ***It should be noted that some of the new, larger, more expensive condominium and townhomes projects have on-site sales personnel and do not list all of their units on the ABOR MLS system.***

Table (27)

Attached Housing Sales

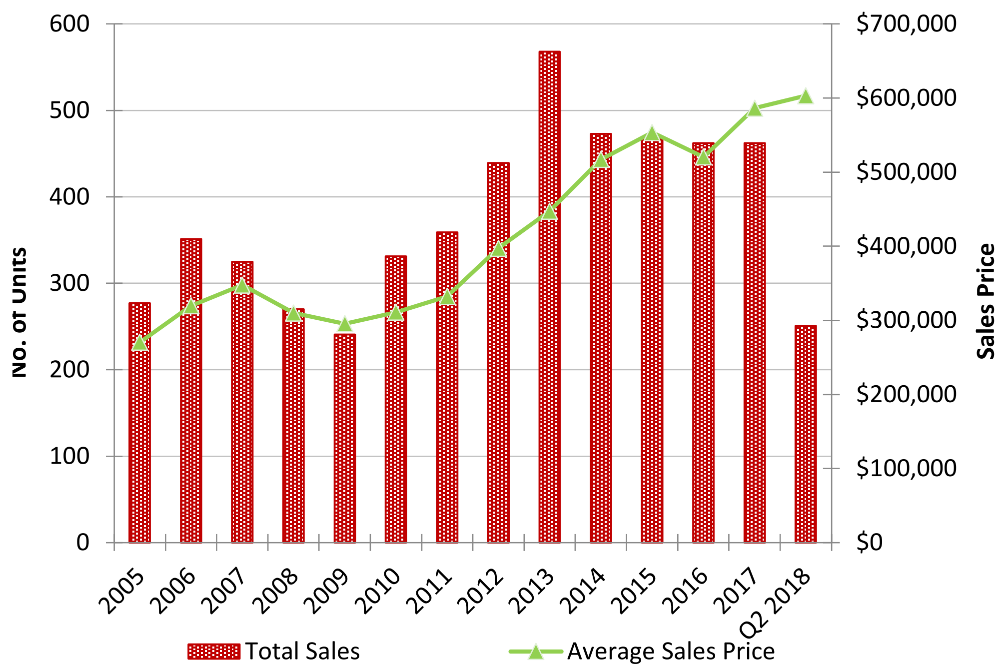
Downtown and Near South Central

Year	Total Sales	Average Sales Price	Average Sq.Ft.	Average $/Sq.Ft.	Average DOM
2005	277	$270,587	1,237	$219	85
2006	351	$319,806	1,327	$241	90
2007	325	$347,668	1,404	$248	68
2008	270	$309,937	1,134	$273	111
2009	241	$295,649	1,096	$270	123
2010	331	$311,119	1,168	$266	127
2011	359	$332,288	1,146	$290	113
2012	439	$397,298	1,219	$326	68
2013	568	$447,392	1,180	$379	53
2014	473	$517,035	1,191	$434	47
2015	467	$553,399	1,164	$475	57
2016	462	$520,492	1,138	$457	67
2017	462	$586,284	1,178	$498	78
Q2 2018	251	$603,202	1,199	$503	86

Source: Austin Board of Realtors, MLS Database; Census Tracts condo_sum.xls

Prepared by Capitol Market Research, September 2018

MLS Search Conditions: Condo, Townhome and Duplex in Census defined market area



Market Area New Attached Housing Market Trends

Overview

In July 2018, Capitol Market Research surveyed five completed and seven under construction condominium projects that are currently taking contracts for purchase in the Downtown and Near South Central market area. Taken together, these projects contain a total of 438 completed units and 1,061 units under construction (or planned). Among the five completed projects, two are located in the CBD (1010 West 10th, and The Austonian) and the remaining two are located in the Near South Central market area. As of July 2018, 1,499 of the total 969 units in the completed and active projects are currently under contract or sold. The weighted average unit price among these 12 projects is $943,455 for 1,377 sq. ft. which equates to $685 per square foot. The absorption rate among these projects varies, with an average rate of 4.20 units a month.

Active Projects

Only two of the "active" projects in the market area are in the CBD, The Austonian, which delivered all of the planned units in 2010, and the recently completed 1010 W. 10th Street. The Austonian project is new tower construction and approximately 93.6% of the 173 total units have been sold. The average original asking price for this project is $1,150,820 for 1,839 square foot unit ($626 per square foot). The eleven units remaining are unfinished "shell" space with few interior walls, which allows the buyer to design and finish out the unit to their specifications. The other "active" project in the CBD is 1010 W. 10th Street, a smaller, 14 unit condominium flat building that has sold 50% of their units, at an average price of $1,057,350, or $530 per square foot. Among the two active projects south of Lady Bird Lake, the J. Bouldin Residences, a mix of condominium flats and townhome units in a re-purposed historic building, are 94.7% sold, while the majority of the unsold units are in Zilkr on the Park, which was originally completed as a mid-rise apartment community in 2014.

Projects under Construction

There are seven projects currently under construction and pre-selling units, five in the CBD and two in the Near South Market area. The 968 units among five CBD projects currently include 616 units under contract with a non-refundable earnest money deposit. The Austin Proper has the highest average sales price at $877 per square foot, while The Tyndall has the lowest at $532 per square foot. It should be noted that although The Tyndall is just east of the defined market area, it was include in the survey. All five CBD properties together have a current average sales price of $1,045,083, or $747 per square foot. The two projects in the Near South Central market area include a total of 93 units with 30 units under contract. Among these two projects, 900 is a condominium flat project under construction by PSW, while Bouldin Court is a combination of townhomes and detached single family with attached garages.

Absorption Rates

As a general rule, lower priced units will sell faster than higher priced units in a given market area. The average number of units sold per month among the active and completed projects in the market area was 4.36 units per month. The highest rate of absorption among completed project is Zilkr on the Park (7.80 units per month), followed by the Austonian (1.19 units/month) It appears that the "perceived value" of the product and price per square foot, along with location, all have influences on the rate of sales in these projects. The units in larger projects generally sell at a faster pace, possibly due to the presence of an on-site marketing staff, which is especially apparent at The Independent, which has achieved the highest rate of pre-sale contracts (6.73 units per month), due to their extensive marketing and sales campaign.

Table (28)

New Condominium Sales Activity

Downtown and Near South Central

Map No	Project	Address	YOC	Planned Units	Completed Units	Contracts / Sales	% Occ	Date of Initial Marketing	Sales/ Month	Average Price*	Average Sqft	Price Per Sqft
			Active Projects									
1	1010 West 10th St.	1010 West 10th St.	*2018*	14	14	7	50.0%	Aug-16	0.29	$1,057,350	1,995	$530
2	J. Bouldin Residences	211 W. Johanna St.	*2017*	38	38	36	94.7%	Jul-15	0.99	$451,342	1,128	$400
3	The Austonian	200 Congress Ave.	*2010*	173	173	162	93.6%	May-07	1.19	$1,150,820	1,839	$626
4	Zilkr on The Park	1900 Barton Springs Rd.	*2017*	213	213	118	55.4%	Jun-17	7.80	$489,364	867	$564
		Total/Averages		**438**	**438**	**323**	**73.7%**		**4.36**	**$765,480**	**1,310**	**$585**

Map No	Project	Address	YOC	No. Units Planned	No. Units Complete	Presales / Reservations	% Presold	Date of Initial Marketing	Presales/Month	Average Price*	Average Sqft	Price Per Sqft
			Under Construction Projects with "Pre-Sale Reservations or Contracts"									
5	900	900 S. 1st St.	*2018*	63	0	30	47.6%	Mar-18	4.80	$573,538	1,102	$520
6	5th & West Residences (1)	501 West Avenue	*2018*	154	0	99	64.3%	Oct-14	2.09	$1,315,000	1,755	$749
7	70 Rainey	70 Rainey Street	*2018*	164	0	90	54.9%	Oct-15	2.57	$1,126,108	1,423	$791
8	Austin Proper	202 Nueces	*2018*	98	0	60	61.2%	Nov-15	1.74	$1,738,214	1,982	$877
9	Bouldin Court	900 S. 2nd St.	*2018*	30	0	0	0.0%	Jul-18	0.00	$1,039,500	2,265	$459
10	The Independent	301 West Avenue	*2019*	370	0	279	75.4%	Apr-15	6.73	$978,000	1,304	$750
11	The Tyndall (2)	800 Embassy	*2018*	182	0	88	48.4%	Oct-16	3.76	$506,834	952	$532
		Total/Averages		**1,061**	**0**	**646**	**60.89%**		**4.14**	**$1,016,926**	**1,405**	**$724**

Capitol Market Research, September 2018

Condo Summary_dtnsc.xls

Note: Data from Developers, Real Estate Agents, City of Austin Permits, Travis Central Appraisal Deed Records

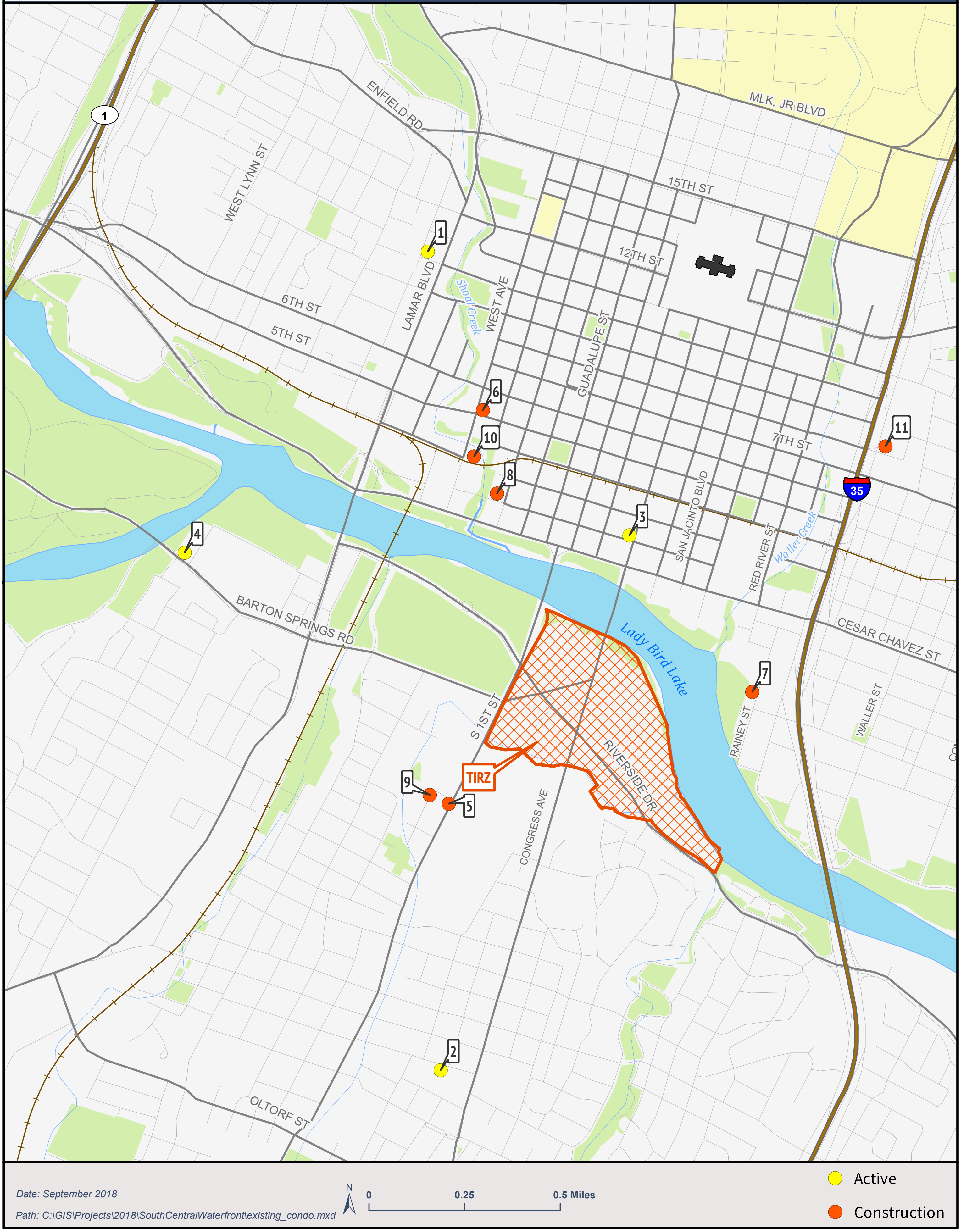
** Average Price represents original sales pricing*

(1) Fifth & West contracts is an estimate based on information from credible sources, but not the developer

(2) The Tyndall is just east of the defined market area, but included in the survey

Downtown and Near South Central Austin:

New Condominiums



Date: September 2018

Path: C:\GIS\Projects\2018\SouthCentralWaterfront\existing_condo.mxd

Market Area New Attached Housing Unit Sales

While it is very important to assess the market strength by evaluating the number of units currently under contract, it is also instructive to analyze the actual "recorded" closings that have occurred in the subject market area. Between January 2004 and September 2018, there have been 2,692 new condominium units sold and closed in completed projects in Downtown and Near South Central. Based on the closing data, the average monthly absorption over this nearly 15 year period (179 months) is 15.04 units. The highest rate of absorption was achieved in 2008 when 459 units were closed (38.25 units per month, on average). Currently there are 11 units remaining in inventory in one completed project, which would be approximately less than one month of supply based on the historical absorption rate of 15.04 units per month.

Table (29)

New Condominium Original Developer Sales: Based on Recorded Deed Transfer

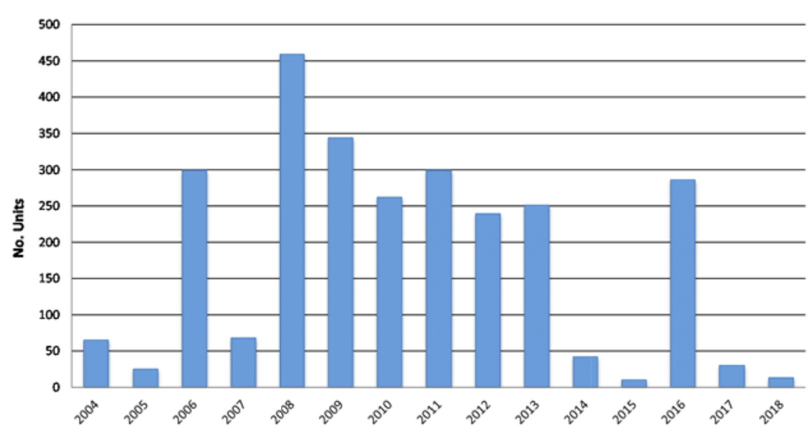
Downtown Austin and Near South Central

Project	YOC	Total Units	Date of First Closing	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Remaining Inventory
04 Lofts	*2006*	28	Jan-08	...	...	...	...	14	7	...	...	6	1	...	...	...	...	...	0
1306 West Avenue	*2017*	13	Oct-17	...	...	...	...	...	...	...	...	...	...	...	...	...	2	11	0
360 Condominiums	*2008*	430	May-08	...	...	...	...	281	149	...	...	...	...	...	...	...	...	...	0
5FiftyFive	*2005*	98	Dec-04	...	11	75	12	...	...	...	...	...	...	...	...	...	...	...	0
904 West	*2012*	26	Nov-10	...	...	...	...	...	...	4	15	3	4	...	...	...	...	...	0
Austin City Lofts	*2004*	82	Jan-04	65	14	3	...	...	...	...	...	...	...	...	...	...	...	...	0
BartonPlace	*2010*	268	Feb-08	...	...	...	...	...	...	32	75	70	91	...	...	...	...	...	0
Brazos Place	*2006*	80	Jan-00	...	...	...	35	21	24	...	...	...	...	...	...	...	...	...	0
Celia's Court	*2017*	24	May-17	...	...	...	...	...	...	...	...	...	...	...	...	...	24	...	0
Four Seasons Residences	*2010*	148	May-10	...	...	...	...	...	...	53	32	42	21	...	...	...	...	...	0
Park West Residences	*2012*	45	Sep-12	...	...	...	...	...	...	...	...	9	27	8	1	...	...	...	0
Pease Place Condos	*2012*	25	Dec-12	...	...	...	...	...	...	...	...	1	22	2	...	...	...	...	0
Residences at the W	*2011*	159	Dec-11	...	...	...	...	...	...	...	78	39	33	8	1	...	...	...	0
Sabine on Fifth	*2007*	80	Dec-07	...	...	...	2	34	...	41	3	...	...	...	...	...	...	...	0
Seaholm Residences	*2016*	280	Mar-16	...	...	...	...	...	...	...	...	...	...	...	...	280	...	...	0
South River City Homes	*2013*	6	Apr-14	...	...	...	...	...	...	...	...	...	...	6	...	...	...	...	0
The Austonian	*2010*	168	Mar-10	...	...	...	...	...	...	40	27	31	21	18	8	6	4	2	11
The Lyric	*2012*	12	Jul-12	...	...	...	...	...	...	...	...	9	3	...	...	...	...	...	0
The Milago	*2006*	240	Jun-06	...	...	221	19	...	...	...	...	...	...	...	...	...	...	...	0
The Shore	*2008*	192	Apr-08	...	...	...	...	109	74	9	...	...	...	...	...	...	...	...	0
The South 5th	*2009*	36	Sep-09	...	...	...	...	...	4	12	1	1	18	...	...	...	...	...	0
The Spring	*2009*	249	Aug-09	...	...	...	...	...	86	71	68	14	10	...	...	...	...	...	0
Zilker Terrace	*2011*	14	Apr-12	...	...	...	...	...	...	...	...	14	...	...	...	...	...	...	0
		Annual Totals		65	25	299	68	459	344	262	299	239	251	42	10	286	30	13	11

Prepared by Capitol Market Research, September 2018

Note: Not all closings have not been recorded in TCAD for Seaholm. Project is 100% sold.

condo sales by year.xls



Market Area Condominium Demand

The Downtown and Near South Central market area has been very attractive to potential home buyers who are seeking an urban lifestyle in an active, walkable and diverse environment. The "lock and leave" aspect of condominium ownership appeals to a diverse clientele of wealthy young professionals, downsizing empty nesters, and second home buyers. Notwithstanding the appeal to out-of-town buyers, the condominium demand forecast was derived for the subject market area, using the household forecast (Table (18)) for the market area and the growth in owner households in the market area from 2000 through 2010 (US Census). CMR also analyzed all new building permits issued in the market area according to building type (attached vs. detached), and established that a large percentage of new housing being built in the Downtown and Near South Central market area is "attached" housing. Using "attached" housing as a synonym for condominium and townhome units in an urban context, and assuming that future development will be similar to the recent past, the subject market area demand forecast yields an average annual demand of 307 condominium units from 2018 through 2040, shown on Table (30) on the following page.

In addition to a "calculated" demand estimate for the market area, there are other demand drivers that influence the area that are more difficult to translate into hard numbers. A study done in 2008 by Capitol Market Research for the owners of four new condominium projects downtown identified a "buyer profile", based on actual buyer demographics, which indicated that there are several types of buyers other than those who are moving their primary residences into downtown. The CMR study showed that "primary residence" was only listed by the new condominium buyers 68.4% of the time. Among the remaining buyers, 17.7% were buying a downtown condominium as a second residence, and 13.6% were buying a unit as an investment property. More recent conversations with sales teams at several condominium projects under construction highlight this issue, and the number of units under contract exceeds the "calculated" demand. As a result of these factors, it seems quite likely that the number of buyers will exceed the number of new households that are forecasted to become residents in the subject market area.

Table (30)

Attached Housing Demand

Downtown and Near South Central

Year	Net HH Increase	MARKET AREA FORECAST			
		% Owner	New Owner HH	% Attached	Attached Housing Demand
2018	878	38.20%	335	68.02%	228
2019	981	38.20%	375	68.02%	255
2020	1,089	38.20%	416	68.02%	283
2021	1,092	38.20%	417	68.02%	284
2022	1,104	38.20%	422	68.02%	287
2023	1,108	38.20%	423	68.02%	288
2024	1,121	38.20%	428	68.02%	291
2025	1,132	38.20%	433	68.02%	294
2026	1,138	38.20%	435	68.02%	296
2027	1,150	38.20%	439	68.02%	299
2028	1,165	38.20%	445	68.02%	303
2029	1,175	38.20%	449	68.02%	305
2030	1,192	38.20%	455	68.02%	310
2031	1,203	38.20%	459	68.02%	312
2032	1,221	38.20%	466	68.02%	317
2033	1,239	38.20%	473	68.02%	322
2034	1,253	38.20%	479	68.02%	326
2035	1,272	38.20%	486	68.02%	331
2036	1,287	38.20%	491	68.02%	334
2037	1,309	38.20%	500	68.02%	340
2038	1,327	38.20%	507	68.02%	345
2039	1,347	38.20%	515	68.02%	350
2040	1,364	38.20%	521	68.02%	354

Prepared by: Capitol Market Research, September 2018 demcalc.xls

Notes: New Households based on Table (17). Percent owner based on 2010 Census. Percent "attached" (66.02%) based off of percentage of attached housing sales as a total of MLS sales in market area in the past 5 years.

Market Area Planned Condominium Projects

In order to accurately forecast the absorption rate for the condominium market in the South Central Waterfront, it is necessary to identify the other tracts in the market area that are zoned for multi-family or condominium use that may be developed with condominiums within the forecast time period. Table (31) lists the projects whose location, size and development program indicate that they may be brought to market in the market area over the next several years. Projects are broadly defined as being "competitive" if the land is currently zoned appropriately for condominium or multi-family development and utilities are available. In order to be considered as "potential" competition, the proposed projects must either be held by, or under contract to, a developer with known intention to move forward with a condominium or multi-family project at a location that will make it potentially competitive with the subject. The planned project timing table shows the number of units planned for condominium development within the market area, and presents this information by units delivered annually, to provide a complete picture of the potential additions to the market area supply. Based on conversations with the developer and sales team members, the anticipated delivery schedule for ten planned projects is shown in Table (32) on the following page.

Table (31)

Condominium Projects in Development

Downtown and Near South Central market area

Map No	Project Name	Location	Planned Units	Developer	Status
1	1600 S. First Street	1600 S. 1st St	61	PSW	Construction
2	44 East	44 East Avenue	323	Intracorp Homes	Planned
3	48 East	48 East Avenue	239	LD&C	Approved
4	5th & West Residences	501 West Ave	154	Riverside Resources	Construction
5	70 Rainey	70 Rainey St	164	Sackman Enterprises	Construction
6	900	900 S. 1st St	63	PSW	Construction
7	Austin Proper Residences	202 Nueces St	99	The Kor Group	Construction
8	Bouldin Court	900 S. 2nd St	30	PSW	Construction
9	East Avenue Condo	16 North IH-35	218	Richmond/Ascention	Submitted
10	The Independent	301 West Ave	370	Constructive Ventures/Aspen Heights	Construction
11	Waller Center Bldg. C	Cesar Chavez @ Red River	203	McCort	Approved
	Total Units		1,924		

Source: Capitol Market Research, September 2018 compsite_condo.xls

Table (32)

Condominium Project Timing

Downtown Austin

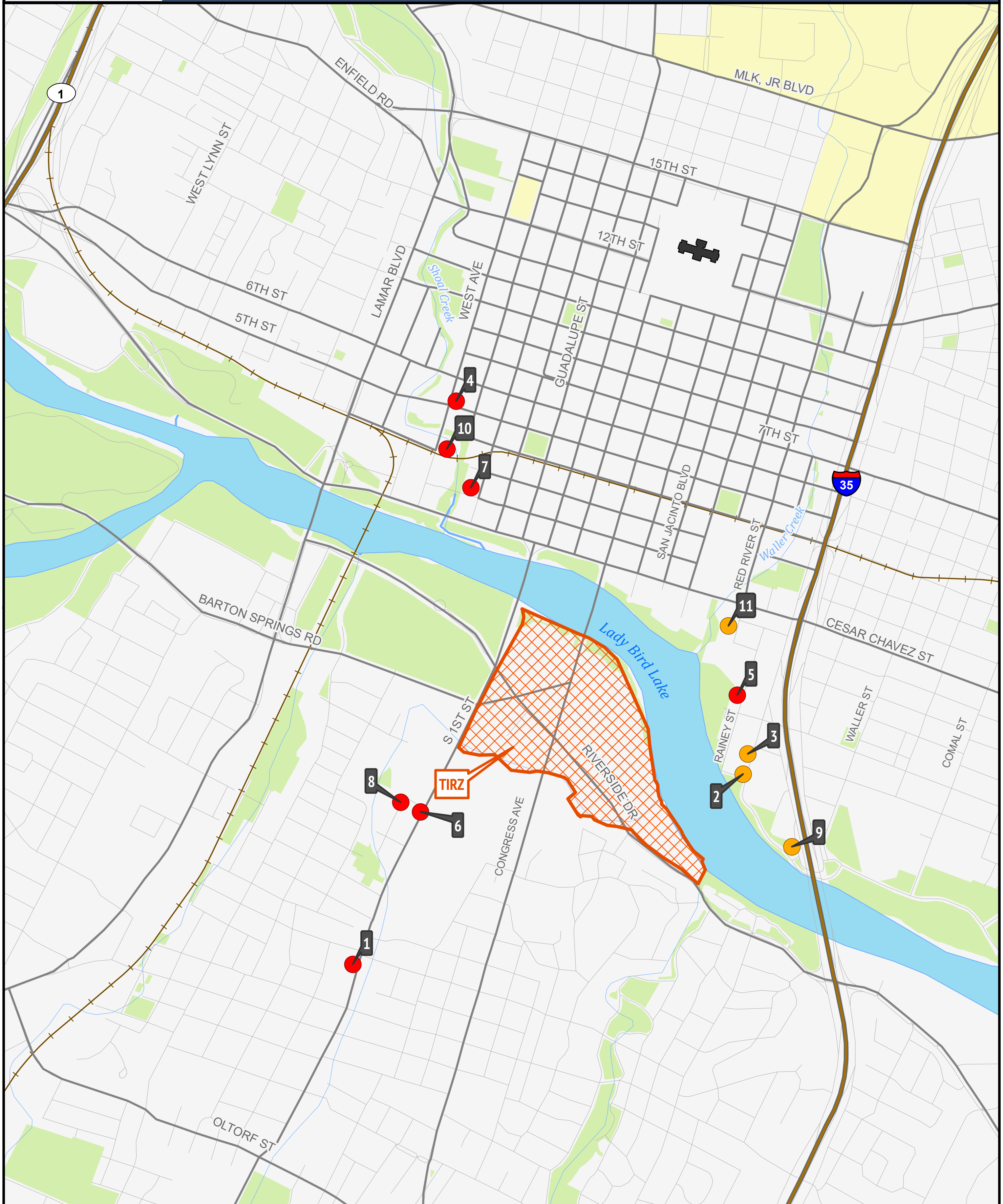
Map No.	Project Name	Delivery Date	Planned Units	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*Future*
1	1600 S. First Street	Jan-20	61	...	...	61	...	...	...	...
2	44 East	Sep-23	323	...	...	...	...	...	323	...
3	48 East	Oct-20	239	...	...	239	...	...	...	...
4	5th & West Residences	Oct-18	154	154	...	...	...	...	...	...
5	70 Rainey	Feb-19	164	...	164	...	...	...	...	...
6	900	Mar-19	63	...	63	...	...	...	...	..
7	Austin Proper Residences	Mar-19	99	...	99	...	...	...	...	...
8	Bouldin Court	Aug-18	30	7	23	...	...	...	...	...
9	East Avenue Condo	*tbd*	218	...	...	...	...	...	...	218
10	The Independent	Feb-19	370	...	370	...	...	...	...	...
11	Waller Center Bldg. C	*tbd*	203	...	...	...	...	...	...	203
		Total Units Planned	1,924	161	719	300	0	0	323	421
		Market Area Demand		228	255	283	284	287	288	
		Surplus / (Deficit) Demand		67	(464)	(17)	284	287	(35)	

Source: Capitol Market Research, September 2018 compsite_condo.xls

Note: If the annual supply exceeds demand, then the deficit is shown as a negative number.

CAPITOL MARKET RESEARCH

Downtown and Near South Central Austin:
Condominium Projects in Development



Date: September 2018

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N

0 0.25 0.5 Miles

Construction

Planned

South Central Waterfront Attached Housing Absorption

The previous sections have discussed the regional attached housing (condominium and townhome) market and the growth statistics related to the attached housing market in Downtown and the Near South Central market area. The data shows that the market area continues to be competitive in the regional attached, "urban", housing context and has maintained a healthy share of new construction and absorption while also commanding the highest sales price per square foot in the city. As discussed earlier, the success of the market area in a regional context is largely due to the rich mix of land uses in close proximity and the walkable character of the downtown and neighborhoods like Travis Heights, Bouldin Creek and Barton Hills. The continuing success of the market area is also dependent upon the availability of vacant land, and the redevelopment of underutilized parcels.

In 2010, the City of Austin completed the Austin Downtown Master Plan which outlined a vision for the CBD that included a proposed land use plan for sub districts within the CBD. As part of the future land use plan, the master plan consultants identified "opportunity sites." These opportunity sites were either vacant (in 2010) or have low density improvements which do not reflect the highest and best use of the property. Current CBD zoning allows an 8:1 FAR unless the site is within an historic district (like West 6th Street) or is within a protected Capital View Corridor (CVC). On some sites the owner has achieved a higher density "bonus" that increased the FAR. Taking the FAR constraints into consideration, the Master Plan consultants identified the potential for adding approximately 37.2 million square feet of additional building net rentable space in the CBD. Over the last few years the City of Austin has pursued a planning exercise for the South Central Waterfront (SCW) District, an area viewed by many as the southern extension of the CBD. According to the South Central Waterfront Vision Framework Plan (adopted in June 16, 2016), more than 8 million square feet of new development could be built under the proposed framework plan. While actual development may deviate from the assumed test scenario, CMR assumes that this is a reasonable estimate of the development opportunity in the SCW planning area.

In 2017, Nelsen Nygaard completed the Downtown Austin Parking Strategy Plan for the Downtown Austin Alliance. Part of the plan included an opportunity site assessment (update) which was completed by McCann Adams Studio. The Downtown site assessment shows a total of 37.8 million square feet of development opportunity, which assumes that all sites are built to their maximum F.A.R., including a density bonus. Within the South Central Waterfront District there is a potential to develop 8.2 million square feet of development (congruent with the regulating plan), which is 18.4% of the total development potential in the CBD, plus the SCW (46.3 m. sq. ft.).

A preliminary estimate of the office absorption potential for the South Central Waterfront was calculated for the Potential TIRZ district using the proportional share of the downtown development potential (18.4%) combined with an estimate of the "competitive" share. This competitive share reflects the change in character likely to occur as a result of the implementation of the planned South Central framework plan and significant infrastructure improvements. The "blended" capture rate is the average of the proportional and competitive share. This absorption forecast is shown on Table (33) on the following page.

Table (33)

South Central Waterfront

Annual Condominium Unit Absorption Potential

Date	CBD and NSC Absorption	CBD and NSC New Completions	South Central Waterfront				
			Propotional Market Share	Competitive Market Share	Blended Share	SCW Absorption Potential	Cummulative Demand
2018	228	161	18.4%	18.4%	18.4%	42	42
2019	255	719	18.4%	18.7%	18.6%	47	89
2020	283	300	18.4%	19.0%	18.7%	53	142
2021	284	0	18.4%	19.3%	18.9%	53	196
2022	287	0	18.4%	19.6%	19.0%	55	250
2023	288	290	18.4%	19.9%	19.2%	55	305
2024	291	290	18.4%	20.2%	19.3%	56	362
2025	294	290	18.4%	20.5%	19.5%	57	419
2026	296	300	18.4%	20.8%	19.6%	58	477
2027	299	300	18.4%	21.1%	19.8%	59	536
2028	303	300	18.4%	21.4%	19.9%	60	596
2029	305	310	18.4%	21.7%	20.1%	61	657
2030	310	310	18.4%	22.0%	20.2%	63	720
2031	312	310	18.4%	22.3%	20.4%	64	783
2032	317	320	18.4%	22.6%	20.5%	65	848
2033	322	320	18.4%	22.9%	20.7%	66	915
2034	326	330	18.4%	23.2%	20.8%	68	982
2035	331	330	18.4%	23.5%	21.0%	69	1,052
2036	334	330	18.4%	23.8%	21.1%	71	1,122
2037	340	340	18.4%	24.1%	21.3%	72	1,195
2038	345	340	18.4%	24.4%	21.4%	74	1,268
2039	350	350	18.4%	24.7%	21.6%	75	1,344
2040	354	350	18.4%	25.0%	21.7%	77	1,421
Total	7,053	6,890			20.1%	1,421	

Source: Absorption forecast from Table (28)
Planned unit completions from Table (30) through 2021,
then unit completions are assumed to roughly equal the absorption potential

compsite_condo_dtnsc_2018.xls

Table (34)

Condominium Absorption Forecast

South Central Waterfront

Year	South Central Waterfront				
	Subject Demand	Cumulative Demand	New Units Added	Cumulative Units Added	Cumulative Demand less Units Added
2018	42	42	0	0	42
2019	47	89	0	0	89
2020	53	142	0	0	142
2021	53	196	0	0	196
2022	55	250	50	50	200
2023	55	305	60	110	195
2024	56	362	60	170	192
2025	57	419	60	230	189
2026	58	477	60	290	187
2027	59	536	60	350	186
2028	60	596	60	410	186
2029	61	657	60	470	187
2030	63	720	60	530	190
2031	64	783	60	590	193
2032	65	848	70	660	188
2033	66	915	70	730	185
2034	68	982	70	800	182
2035	69	1,052	70	870	182
2036	71	1,122	70	940	182
2037	72	1,195	70	1,010	185
2038	74	1,268	70	1,080	188
2039	75	1,344	80	1,160	184
2040	77	1,421	80	1,240	181
Total	1,421		1,240		

Capitol Market Research, September 2018 compsite_condo_cbdtnsc.xls

Annual Demand is from Table (31). Supply is assumed to roughly equal demand beginning in 2022.

ABSORPTION SUMMARY AND TIF FORECAST

Absorption Summary and TIF Forecast

The previous sections of this report have provided an historical review, current assessment and development forecasts for the South Central Waterfront planning area. Forecasts have been prepared for three major property types; office, multi-family, and residential condominiums ("attached" housing). The proposed TIRZ district contains approximately 118 acres of land and has a 2017 taxable value of $827,310,450. The forecasts were prepared by first estimating the absorption potential in the broader Downtown and Near South Central market area, and then narrowing the focus to the South Central Waterfront. The baseline evaluation of capture rate was derived from data which was initially generated for the Downtown Austin Plan (DAP), adopted by the Austin City Council on December 8, 2011. In the plan, "opportunity sites" were identified and gross building area calculated for each site. The Downtown Austin Alliance commissioned an update to the opportunity site analysis as part of the recently completed "Downtown Austin Parking Strategy". This updated information was utilized as a "base" capture rate in this study and is shown below in Table (35).

Table (35)

Opportunity Sites for New Development

Downtown and South Central Waterfront

Area	Land Area in Acres	Square Feet of Potential Development	Square Feet Potential with Density Bonus
Downtown	**104.96**	**21,296,098**	**37,756,449**
In South Central Waterfront	48.70	4,528,616	8,519,738
Downtiwn Plus SCW	153.66	25,824,714	46,276,187
Percent in SCW TIRZ	***31.7%***	***17.5%***	***18.4%***

Source: Downtown Austin Parking Strategy, Nelson Nygaard, September 2016 opportunity sites.xls
Prepared for the Downtown Austin Alliance
Opportunity Site Analysis prepared McCann Adams Studio, as subcontractor.
South Central Waterfront Vision Framework Plan, June 2016

Over the last ten years, the development focus has been in lower downtown, near Lady Bird Lake, where most of the available sites have now been developed or are currently under construction. With the construction of the Waller Creek Tunnel and the Waller Parks District, the development focus is likely to shift to include the northeast quadrant where the Innovation District initiatives are emerging and the Central Health campus redevelopment is gaining traction. Another area of interest is the subject of this report, the South Central Waterfront district on the south side of Lady Bird Lake.

In acknowledgement of these emerging trends, CMR has provided an absorption rate for each product type as a result of the product specific demand forecasts shown in previous sections. This data is now consolidated into a summary table which covers the proposed TIRZ district.

Table (36)

Absorption Summary

Proposed SCW TIRZ Boundary

Year	Absorption		
	Office Square Feet	Multi-Family Units	Attached Housing Units
2018	0	0	0
2019	0	0	0
2020	0	0	0
2021	325,000	0	0
2022	0	130	50
2023	68,000	130	60
2024	70,000	130	60
2025	68,000	140	60
2026	64,000	140	60
2027	65,000	140	60
2028	86,000	140	60
2029	89,000	150	60
2030	93,000	150	60
2031	97,000	150	60
2032	100,000	150	70
2033	104,000	160	70
2034	108,000	160	70
2035	112,000	160	70
2036	117,000	170	70
2037	121,000	170	70
2038	125,000	180	70
2039	130,000	180	80
2040	135,000	180	80
Total	2,077,000	2,910	1,240

Source: Capitol Market Research, September 2018 Development 9.18.18

Summary of Absorption estimates from previous sections

The next step required to prepare the TIF value forecasts is to calculate an average cost per square foot for each product category. Capitol Market Research requested and received an average square foot cost estimate for buildings from a large construction firm that is currently building towers in the downtown market. Using the upper end of the cost range provided by Austin Commercial and several development companies, an estimate of Hard Costs for each product type is shown below in Table (37).

Table (37)

Construction Cost Estimates

Downtown Austin Towers

Category	Office	Multi Family	Condo Tower
Average Size	1,000	900	1,400
Average Hard Cost Per SF	$195	$275	$335
Cost per Unit	$195,000	$247,500	$469,000
Parking per Unit	2.6	1.5	1.7
Parking Cost per space	$35,000	$35,000	$35,000
Total Parking Cost	$91,000	$52,500	$59,500
Core & Shell plus parking	$286,000	$300,000	$528,500
Soft Cost @ 20%	$57,200	$60,000	$105,700
Construction Cost Per Unit	$343,200	$360,000	$634,200
Cost Per Square Foot	$343	$400	$453

Source: Preliminary cost estimates provided by a variety of sources including:
Austin Commercial,Argyle Residential and CD Construction Estimating
Parking ratios estimated from a sample of recently completed CBD Buildings

Development Summary

Based on the absorption estimates shown in Table (36) and the cost estimates provided in Table (37) above, the potential TIF valuation and tax revenue potential is provided in Table (38). Assuming a 5% annual rate of inflation, the South Central Waterfront taxable value is projected to be $6,696,977,687 in 2040. This is an increment in taxable value of $5,869,997,228 over the 2017 base year. Using the current City of Austin tax rate of 0.4480 the potential tax revenue from the South Central Waterfront would be $322,529,308, a majority of which would be incremental revenue available to fund infrastructure improvements in the district.

Table (38)

Projected Tax Values 2018 - 2040

South Central Waterfront

Year	COA Taxable Value (January 1)	Planned Development Value	COA Taxable Value (December 31)	Inflated Value at (5%)	City Tax Revenue
2017	$827,310,450	$0	$827,310,450	$868,675,973	$3,863,871
2018	$868,675,973	$0	$868,675,973	$912,109,771	$4,057,064
2019	$912,109,771	$0	$912,109,771	$957,715,260	$4,259,917
2020	$957,715,260	$0	$957,715,260	$1,005,601,023	$4,472,913
2021	$1,005,601,023	$123,240,000	$1,128,841,023	$1,185,283,074	$5,272,139
2022	$1,185,283,074	$70,250,000	$1,255,533,074	$1,318,309,727	$5,863,842
2023	$1,318,309,727	$100,725,600	$1,419,035,327	$1,489,987,094	$6,627,463
2024	$1,489,987,094	$101,484,000	$1,591,471,094	$1,671,044,649	$7,432,807
2025	$1,671,044,649	$104,325,600	$1,775,370,249	$1,864,138,761	$8,291,689
2026	$1,864,138,761	$102,808,800	$1,966,947,561	$2,065,294,939	$9,186,432
2027	$2,065,294,939	$103,188,000	$2,168,482,939	$2,276,907,086	$10,127,683
2028	$2,276,907,086	$111,151,200	$2,388,058,286	$2,507,461,200	$11,153,187
2029	$2,507,461,200	$115,888,800	$2,623,350,000	$2,754,517,500	$12,252,094
2030	$2,754,517,500	$117,405,600	$2,871,923,100	$3,015,519,255	$13,413,030
2031	$3,015,519,255	$118,922,400	$3,134,441,655	$3,291,163,738	$14,639,096
2032	$3,291,163,738	$124,750,000	$3,415,913,738	$3,586,709,425	$15,953,684
2033	$3,586,709,425	$129,866,800	$3,716,576,225	$3,902,405,036	$17,357,898
2034	$3,902,405,036	$131,383,600	$4,033,788,636	$4,235,478,068	$18,839,406
2035	$4,235,478,068	$132,900,400	$4,368,378,468	$4,586,797,391	$20,402,075
2036	$4,586,797,391	$138,396,400	$4,725,193,791	$4,961,453,481	$22,068,545
2037	$4,961,453,481	$139,913,200	$5,101,366,681	$5,356,435,015	$23,825,423
2038	$5,356,435,015	$145,030,000	$5,501,465,015	$5,776,538,266	$25,694,042
2039	$5,776,538,266	$151,616,000	$5,928,154,266	$6,224,561,979	$27,686,852
2040	$6,224,561,979	$153,512,000	$6,378,073,979	$6,696,977,678	$29,788,157
Total	$66,641,418,161	$2,416,758,400	$69,058,176,561		$322,529,308

Source: Capitol Market Research, September 2018

Development Summary

Tax revenue assumes the current City of Austin tax rate of 0.4448

APPENDIX

Certificate

The undersigned do hereby certify that, except as otherwise noted in this market/feasibility report:

We certify that we have personally inspected the aforementioned subject property, and that our fee is in no way contingent upon the determination of feasibility reported herein.

We have no present or contemplated future interest in the real estate that is the subject of this report.

To the best of our knowledge and belief the statements of fact contained in this report, upon which the analyses, opinions and conclusions expressed herein are based, are true and correct.

This report sets forth all of the limiting conditions (imposed by the terms of our assignment or by the undersigned) affecting the analyses, opinions and conclusions contained in this report.

Recognition is hereby given to Erin Roberts and Camiel DeSmet for their assistance in the preparation of this report.

No one other than the undersigned prepared the analyses, conclusions and opinions concerning the real estate that are set forth in this report.

Respectfully submitted,

CAPITOL MARKET RESEARCH, INC.

Charles H. Heimsath
President

CHARLES H. HEIMSATH QUALIFICATIONS

Charles H. Heimsath graduated from The University of Texas in 1976 with a Master of Science degree in City Planning. He has been active in the real estate market since 1976 in the areas of commercial and residential brokerage, market and feasibility studies, and real estate research. Prior to his association with Capitol Market Research, Mr. Heimsath was a senior project manager in charge of feasibility/market research with an appraisal firm, R. Robinson & Associates, Inc., Austin, Texas. Between 1980 and 1983 he was responsible for managing the real estate research division at the Rice Center in Houston.

Since moving to Austin in February 1984, Mr. Heimsath has conducted or managed over 500 market research and feasibility projects covering a range of property types from residential and mixed-use subdivisions through office/warehouse and service center space to downtown office buildings. His work has also included population forecasting for several cities, consultation to the General Land Office, The University of Texas System, and economic impact studies for proposed commuter and light rail systems in Austin and San Antonio.

EDUCATION

B.S. in Economics, University of Vermont, Burlington, Vermont; June 1972
M.S. in Community and Regional Planning, The University of Texas, Austin, Texas; August 1976
Post Graduate Studies, Rice University, Houston, Texas; 1980, 1981

PROFESSIONAL MEMBERSHIPS & CERTIFICATIONS

American Planning Association
Real Estate Council of Austin, Former Board Member
Texas Real Estate Broker #188355-13
Urban Land Institute, Austin Advisory Board Member
Downtown Austin Alliance, Board Member, Policy Committee Chair
Texas Regional Mobility Authority, Former Board Member

PROFESSIONAL EXPERIENCE

Capitol Market Research, Inc., President: June 1986 - Present

R. Robinson & Associates, Project Manager: Real estate research, market and demographic studies, land-use forecasting: February 1984 - June 1986

South Main Center Assoc., Associate Director: Construction management, office administration, policy development, community outreach: February 1983 - February 1984

Rice Center, Senior Associate: Senior project manager responsible for real estate research, urban development and economic forecasting: October 1978 - February 1983

Mayor's Office, City of Houston, Urban Economist: Responsible for preparing the Overall Economic Development Plan (OEDP) for Houston: October 1976 - October 1978