South Central Waterfront

Tax Increment Reinvestment Zone (TIRZ) Analysis

Prepared for

Mr. Ed Van Eenoo

Chief Finance Officer

City of Austin

301 West Second Street

Austin, Texas 78701

By

Capitol Market Research, Inc.

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On

September 24, 2021

CAPITOL MARKET RESEARCH

Real Estate Research, Land Development Economics & Market Analysis

September 24, 2021

Mr. Ed Van Eenoo
Chief Finance Officer
City of Austin, Finance Department
301 West Second Street
Austin, Texas 78701

Dear Mr. Van Eenoo:

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 the annual increases in value 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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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 2040.

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 2040. 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. The report also incorporates those projects currently underway or planned for the district and their timing for delivery in the early years of the forecast. In addition, CMR has provided a baseline case showing the level of development that is likely to occur in the absence of the TIRZ creation and the enhanced City infrastructure investment.


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

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. According to the U.S. Census Bureau, the Austin-Round Rock MSA grew by 33.7% in from 2010 through 2020 (U.S. Census estimates, July 1), and now has a population of almost 2.3 million people. According to the US Census Bureau's 2019 population estimates, the closest large city, the City of Austin grew from a population of 790,390 in 2010 to 961,855 in 2020, an increase of 21.7%.

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

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, and 5,400 in 2003, due to the regional impact of the dot.com crisis, which heavily affected the local technology sector. 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 store expansions and business inventory additions resulted in a decrease in new job creation in the local economy, which was diminished by -17,000 in 2009. However, the economy began a modest recovery in 2010 with 11,500 jobs added and gained more momentum in 2011 with 26,600 jobs added. The recovery then accelerated, adding over 39,000 jobs in 2013 and 2014. Employment growth continued its positive trajectory through 2015 and 2018, with an average increase of 36,525 jobs a year, slowing slightly in 2019.

The most recent forecast (April 2021) from Moody's Analytics shows a rapid recovery from the novel Covid-19 global pandemic and the rapid job losses seen as a result. Table (1) on the following page provides recent employment statistics and projections for the Austin-Round Rock MSA. Employment growth for 2020 through the end of the year was negative, due to the lingering effects of the pandemic. This year (2021) will see a recovery period at a higher than typical growth rate, with a continuation of robust employment growth in 2022 and 2023, leveling out to an expected 2.3% average annual rate from 2021 through 2030. The forecast shown is from Moody's, Economy.com, Austin-Round Rock MSA Employment Forecast, from April 7, 2021.

Table (1)

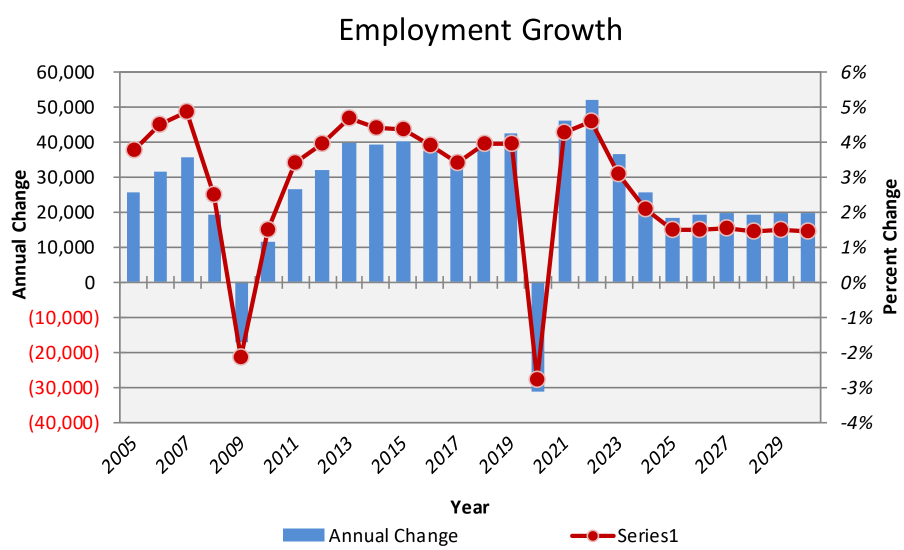
Historical & Projected Employment Growth

Austin-Round Rock MSA

	Year	Total Wage & Salary Emp.	Annual Change	Percent Change
Historical	*2005*	704,600	25,600	3.77%
	2006	736,300	31,700	4.50%
	2007	772,000	35,700	4.85%
	2008	791,100	19,100	2.47%
	2009	774,100	(17,000)	-2.15%
	2010	785,600	11,500	1.49%
	2011	812,200	26,600	3.39%
	2012	844,300	32,100	3.95%
	2013	883,900	39,600	4.69%
	2014	923,000	39,100	4.42%
	2015	963,300	40,300	4.37%
	2016	1,000,900	37,600	3.90%
	2017	1,034,900	34,000	3.40%
	2018	1,075,600	40,700	3.93%
	2019	1,117,900	42,300	3.93%
	2020	1,086,800	(31,100)	-2.78%
Projected	*2021*	1,133,100	46,300	4.26%
	2022	1,185,100	52,000	4.59%
	2023	1,221,800	36,700	3.10%
	2024	1,247,300	25,500	2.09%
	2025	1,265,800	18,500	1.48%
	2026	1,285,000	19,200	1.52%
	2027	1,304,800	19,800	1.54%
	2028	1,324,000	19,200	1.47%
	2029	1,343,900	19,900	1.50%
	2030	1,363,400	19,500	1.45%

Source: Texas Workforce Commission, Annual Average Wage & Non-Farm Salary Employment (2000-2019)
Forecasted employment increase obtained from Moody's Economy.com April 2021

empgro_Austin_2021.xls



Austin MSA Housing Demand

As demonstrated in the previous section, population growth in Austin and other rapidly growing U.S. cities is almost always attributable to the immigration of people from other areas, often because of job opportunities. However, due to the recent COVID-19 global pandemic, population growth based on in-migration has been severely reduced.

Although CMR has utilized job growth rates during times of high employment growth (Shown previously in Table (1)) to forecast short-term population growth, for this forecast CMR has chosen to use population estimates which are based on the most recently completed forecast available from the Texas State Data Center at Texas A&M University. This forecast was modified to reflect the slower job growth and lower in-migration experienced in 2020 as a result of the COVID-19 impact. Forecasts for 2021 and beyond are based on the State Data Center forecasted annual population increase.

Combining population growth with average household size (US Census 2010), CMR has estimated that the Austin-Round Rock MSA will grow by an annual average of 26,793 households per year from 2021 through 2040.

Table (2)

Household Forecast

Austin-Round Rock MSA

Year	MSA Population	Population Increase	Household Size	New Households
2021	2,268,036	56,955	2.58	22,076
2022	2,325,888	57,852	2.58	22,423
2023	2,384,845	58,957	2.58	22,852
2024	2,444,914	60,069	2.58	23,283
2025	2,506,270	61,356	2.58	23,781
2026	2,568,870	62,600	2.58	24,264
2027	2,632,714	63,844	2.58	24,746
2028	2,697,944	65,230	2.58	25,283
2029	2,764,612	66,668	2.58	25,840
2030	2,832,721	68,109	2.58	26,399
2031	2,902,268	69,547	2.58	26,956
2032	2,973,256	70,988	2.58	27,515
2033	3,045,682	72,426	2.58	28,072
2034	3,119,445	73,763	2.58	28,590
2035	3,194,629	75,184	2.58	29,141
2036	3,271,321	76,692	2.58	29,726
2037	3,349,545	78,224	2.58	30,319
2038	3,429,355	79,810	2.58	30,934
2039	3,510,672	81,317	2.58	31,518
2040	3,593,607	82,935	2.58	32,145

empgro_Austin_2021.xls

Source: Population increase based on TSDC MSA Forecast, assuming natural growth only (37.2% of total) in 2020 due to the impact of the Covid-19 global pandemic.

MARKET AREA DEFINITION &

DEMOGRAPHIC ANALYSIS

South Central Waterfront Market Area Definition

In order to accurately represent the demand for condominium units at the subject site, regional demand must be disaggregated to the neighborhood or market area level. This process of disaggregation is accomplished by segmenting a geographic region into small apartment market areas or neighborhoods. The market area 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. Land uses and natural attributes in the area that are considered to be important include abundant green space along Lady Bird Lake, the Butler Hike & Bike Trail, Waller Creek, Shoal Creek, and the Capital Grounds. Additional attractions include the Sixth Street and Rainey Street entertainment districts, the Austin Convention Center, the Palmer Events Center, Zilker Park, and the 2nd Street shopping district. North of the site is the University of Texas Campus, The Blanton Museum, and the ATT Conference Center.

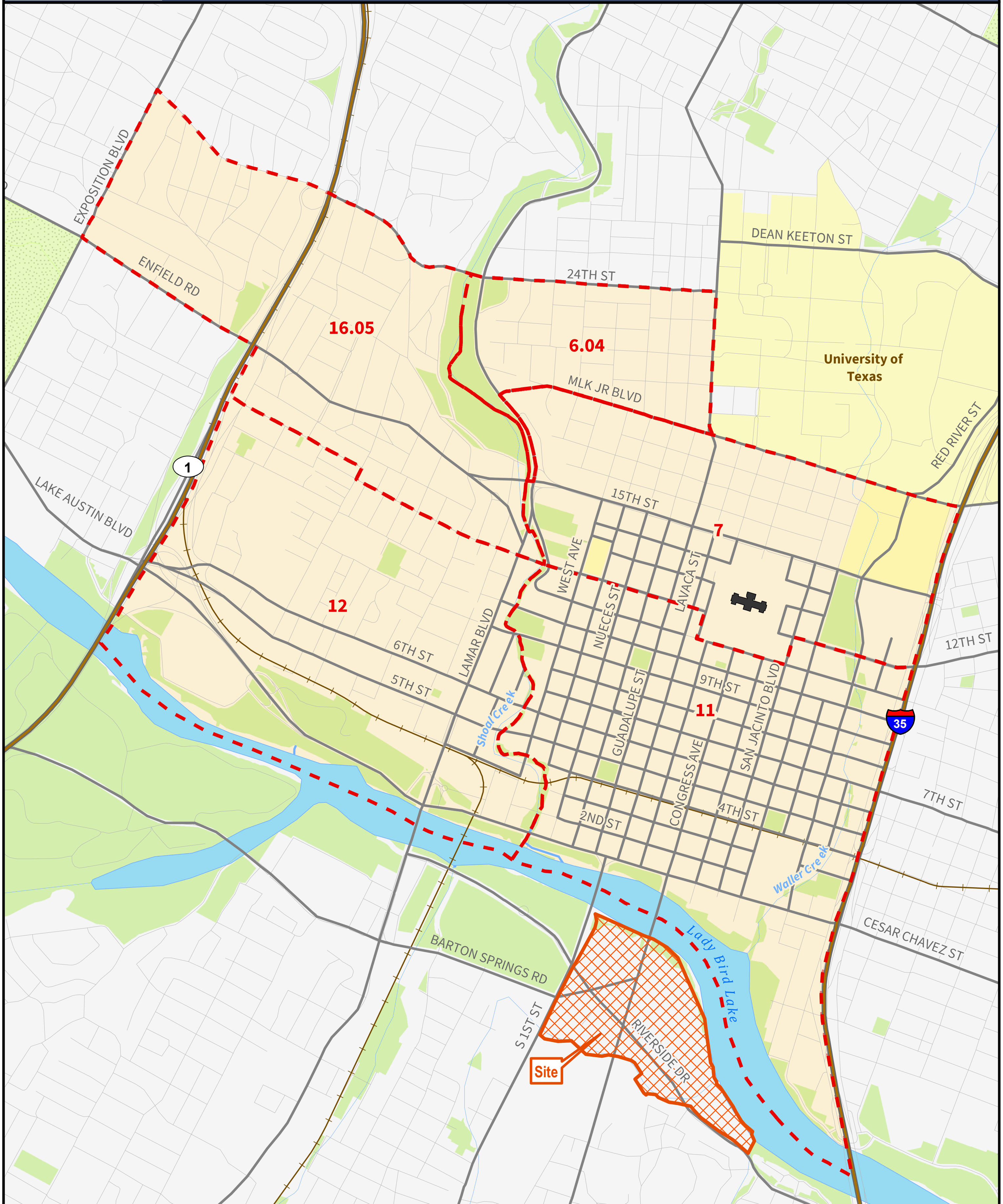
Another important consideration for defining the market is image and market perceptions. This is often quite difficult to quantify because one market may phase quietly into another without a clear physical or psychological barrier. This is not the case for the subject property market area delineation. The multifamily development will likely draw a majority of tenants from those who work in the CBD, or at the University of Texas and the nearby State Capitol complex. It is also likely that a number of tenants or condominium buyers will be downsizing empty nester households from central and west Austin, and out of town, second home buyers. The subject market area is defined as the traditional downtown business district located north of Lady Bird Lake, south of the University of Texas, and in between Interstate 35 and MoPac (Loop 1). This boundary has been expanded to include the South-Central Waterfront 118-acre planning area in anticipation that higher density development will be approved and built in the area.

Finally, the definition of the Downtown market area must take into consideration the availability of relevant information, particularly demographic area. 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. This area is made up of Travis County 2010 Census tracts 6.04, 7, 11, 12, and 16.05.

CAPITOL MARKET RESEARCH

Downtown Austin:

2010 Census Tracts



Date: September 2021

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SC Waterfront

2010 Census Tract

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 over 54 million square feet.

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. Now, 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 has become much more competitive.

Historical 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%.

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 continued to gain strength through 2016, ending the year with 91.6% occupancy and average rents reaching $34.05 (gross rates).

Recent Market Conditions

Starting in December 2017, Capitol Market Research was unable to continue the citywide research due to the sudden bankruptcy of our data provider, Xceligent. We have therefore chosen to use the average of the data collected from three brokerage firms active in Austin. These four firms include CBRE, Cushman and Wakefield, and JLL. These firms were chosen because the inventory that they track is most closely aligned to our previous data set.

In December 2017 Austin office market was 90.3% occupied with an average absorption rate of 1,238,912 square feet. Capitol Market Research documented over 1.6 million square feet of office space delivered in 2017, and average rents climbed, reaching $35.67 (gross) per square feet. In December 2018, rental rates continued upward, rising to $38.82 (gross) per square feet, but occupancy dropped to 89.3% and absorption slowed to 799,509 square feet. A total of 1,397,698 sq.ft. was added to the market in 2018.

At the end of 2019 the market continued to show incredible strength, as over three million square feet was added to the market, including the SXSW Offices (145,000 sq.ft.), The Foundry (75,000 sq.ft.), Four Points Centre Bldg. 3 (168,000 sq.ft.), and Mesa Creek in Round Rock (59,000 sq.ft.), and occupancy increased to 90.3%. There are several buildings under construction that have had significant preleasing activity, such as CityView, Bouldin Creek Commons, Domain 10, Domain 12, East6, Music Lane, Offices at Saltillo, and Rollingwood Town Center Bldg. III. Rental rates continued to climb as demand for office space accelerated, reaching $41.99 (gross) per square foot for the Austin market.

The first quarter of 2020 began well, but the market was hit hard as the COVID induced “stay at home” orders were issued in March, and occupancy in office buildings plummeted. At the end of 2020, the occupancy rate fell to a ten-year low as additions to inventory continued and leasing activity fell. The uncertainty created by COVID has caused some tenants to postpone their leasing decisions while others have renewed leases for shorter terms or less space (or both). In addition, large blocks of sub-lease space have become available as companies laid off workers (Go Daddy and Paisley Energy) or shifted to a work-from-home business model. Rental rates have continued to rise and now average $45.53 per square foot as operating expenses have increased and landlords' endeavor to maintain their "quoted" rental rates. As the reality of tenant demand becomes more evident and sub-lease rates continue to decline, the quoted face rates will begin to drop.

This year, 2021, the office market is showing signs of recovery as the amount of sub-lease space has greatly diminished and leasing activity has picked up again. In addition, the pace of new space delivery has slowed and pre-leasing has increased. These data are reflected below where the overall occupancy rate has dropped to 82.0% and average rents have dropped to $46.20. Developers and brokers remain positive, and see the execution of several large leases as an indication of an emerging rebound.

Table (3)

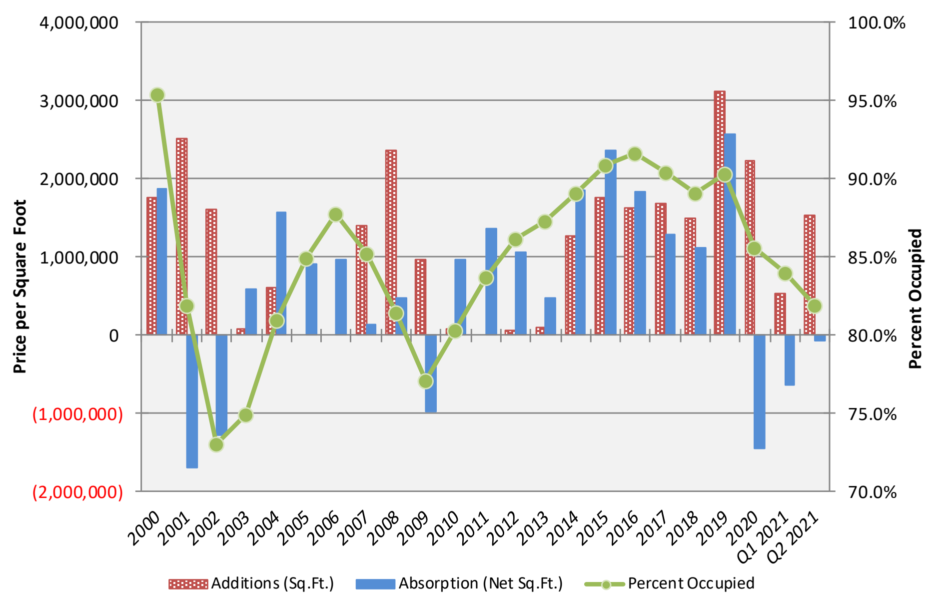
Austin Citywide Office Market Summary

December 2000 - June 2021

Year	Net Rentable Area	Total Leased	Percent Occupied	Additions (Sq.Ft.)	Absorption (Net Sq.Ft.)	Average Rent per Sq. Ft.
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	50,158,624	45,357,520	90.4%	1,684,323	1,283,912	$35.92
2018	51,660,805	46,033,942	89.1%	1,502,180	1,123,094	$39.69
2019	54,790,523	49,494,449	90.3%	3,129,718	2,580,822	$41.99
2020	57,034,131	48,813,762	85.6%	2,243,609	(1,441,617)	$45.53
Q1 2021	57,565,963	48,360,389	84.0%	531,832	(628,758)	$49.45
Q2 2021	59,110,994	48,456,330	82.0%	1,545,031	(63,168)	$46.20

Source: *Capitol Market Research, Austin Area Office Survey, December 2000 - December 2016* — off_sum_Q2_21.xls
Average quoted rent for all available space on a "Gross" Lease basis
Includes sublease space starting in 2001

Note: *Starting in December 2017, data is from the avaerage of three brokerage firms active in the Austin Market*
These firms have an average that is higher than the Exceligent tracking set, therefore
The additions to inventory in 2017 reflect actual construction, not change in data sources.



Downtown Austin Office Market Conditions

In July 2021, Capitol Market Research surveyed all 69 active multi-tenant office buildings in the Austin CBD that together comprise a total of 11,823,333 square feet of rentable space. Currently, the market area occupancy, including sublease space, is 80.1%, which is down from December 2020 when it was 88.0%. Average rents are $59.66 per square foot on a "gross" lease basis, down slightly since December 2020 when they were $60.12.

New Construction

Since 2014, fourteen buildings with a total of 2,837,373 sq. ft. of rentable space have been added to the market area: 501 Congress (rehab), 3Eleven Bowie, Seaholm office and 1705 Guadalupe in 2015, 5th + Colorado and Northshore in 2016, 500 West 2nd, Shoal Creek Walk and the UT System building in 2017, Third + Shoal and Westview (rehab) in 2018, and during the first six month of 2021, 300 Colorado, indeed tower and The Quincy.

Currently, there are fourteen office buildings under construction, which together will add 3,850,381 square feet to the market. As noted above, three buildings have already opened this year, and six more buildings are scheduled to open 1,114,144 square feet of space in the second half of 2021. The six remaining buildings are scheduled to deliver 1,917,318 square feet in 2022 and 2023. In the South-Central Waterfront Planning Area there is one building (RiverSouth) under construction with 271, 663 square feet of office space which is scheduled to deliver in November 2021. 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 (July 2021) occupancy in the market area is 80.1% which is a substantial drop from 88.0% in December 2020. The decrease in occupancy is due, in part, to the addition of 1,116,530 square feet of multi-tenant office space in three buildings since December. Approximately 68.6% of the delivered space is pre-leased.

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 due to the dotcom bust, 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.

Over the last three Pre-COVID years, 2017-2019, the downtown market area received five new buildings with 1,186,566 square feet of space. Over that same time period, 1,652,925 square feet of space was absorbed and at the end of 2019 the market was 94.2% occupied. This rapid pace of absorption led to a surge in new construction and the delivery of 1,116,530 square feet in the first six months of 2021. The stay-at-home orders in March 2020 were followed by months of uncertainty regarding the occupancy of office space, which is only now becoming more acceptable.

Average Rents

Average rents in the Downtown market area rose dramatically from 1990 to 2000, ending the decade at $32.62 in December 2000. Since then, rents dropped back to $21.62 per sq. ft. in December 2003, but have since increased dramatically and are currently at $59.97 per sq. ft. in June 2021.

New large, class "A" buildings are leasing at rental rates higher than the market average (ranging from a gross average of $56.15 to $76.01 per square foot) while generally maintaining a higher-than-average stabilized occupancy. 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, superior HVAC and energy efficient design coupled with numerous building amenities. 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 were built in and around Downtown Austin, including Oracle, just south of Lady Bird Lake, the GoDaddy building in East Austin and the SXSW building at 1400 Lavaca Street.

The leasing of an entire building to Google at 601 west 2nd Street and Whole Foods at Shoal Creek Walk II, 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 Indeed Tower confirms the continuing attractiveness of Downtown Austin for 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)

Austin CBD Market Inventory

December 2000 - June 2021

Year	Net Rentable Area	Total Leased	Percent Occupied	Additions (Sq.Ft.)	Absorption (Net Sq.Ft.)	Average Rent per Sq. Ft.
2000	6,909,980	6,625,991	95.9%	...	...	$32.62
2001	7,003,641	6,038,157	86.2%	93,661	(587,834)	$27.96
2002	7,408,860	5,915,409	79.8%	405,219	(122,748)	$23.58
2003	7,486,771	5,880,903	78.6%	77,911	(34,506)	$21.62
2004	8,204,255	6,534,529	79.6%	717,484	653,626	$22.51
2005	8,183,635	6,485,265	79.2%	(20,620)	(49,264)	$22.12
2006	8,166,880	6,739,807	82.5%	(16,755)	254,542	$26.10
2007	8,138,270	6,975,958	85.7%	(28,610)	236,151	$29.39
2008	8,212,712	7,124,310	86.7%	74,442	148,352	$31.78
2009	8,395,208	6,846,197	81.5%	182,496	(278,113)	$32.92
2010	8,400,048	7,328,610	87.2%	4,840	482,413	$33.32
2011	8,516,361	7,271,929	85.4%	116,313	(56,681)	$32.34
2012	8,527,208	7,584,887	88.9%	10,847	312,958	$35.33
2013	8,348,915	7,313,266	87.6%	(178,293)	(271,621)	$38.06
2014	9,009,220	8,333,469	92.5%	660,305	1,020,203	$41.02
2015	9,295,905	8,709,496	93.7%	286,685	376,027	$43.90
2016	9,498,497	8,957,267	94.3%	202,592	247,771	$48.60
2017	10,580,370	9,601,679	90.7%	1,081,873	644,412	$55.71
2018	10,865,835	9,985,073	91.9%	285,465	383,394	$52.51
2019	11,265,672	10,610,192	94.2%	399,837	625,119	$57.17
2020	11,359,284	9,991,597	88.0%	93,611	(633,990)	$58.81
Q1 2021	11,765,551	9,992,076	84.9%	406,268	(107,128)	$60.12
Q2 2021	12,676,237	10,488,529	82.7%	910,685	(31,602)	$59.97

Source: *Capitol Market Research, Austin Area Office Survey, December 2000 - December 2016* off_sum_Q2_21.xls

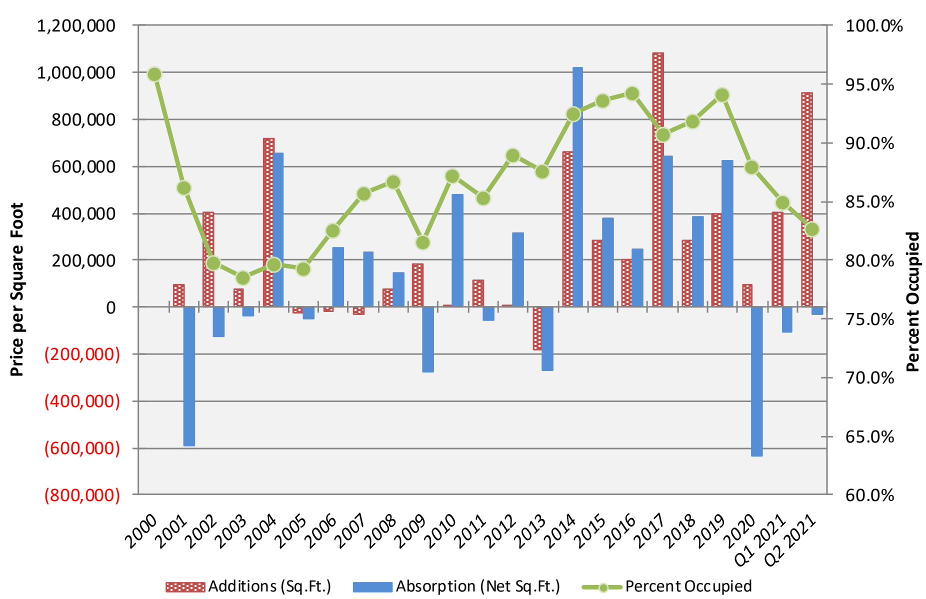
Average quoted rent for all available space on a "Gross" Lease basis

Includes sublease space starting in 2001

Note: *Starting in December 2017, data is from the avaerage of three brokerage firms active in the Austin Market*

These firms have an average that is higher than the Exceligent tracking set, therefore

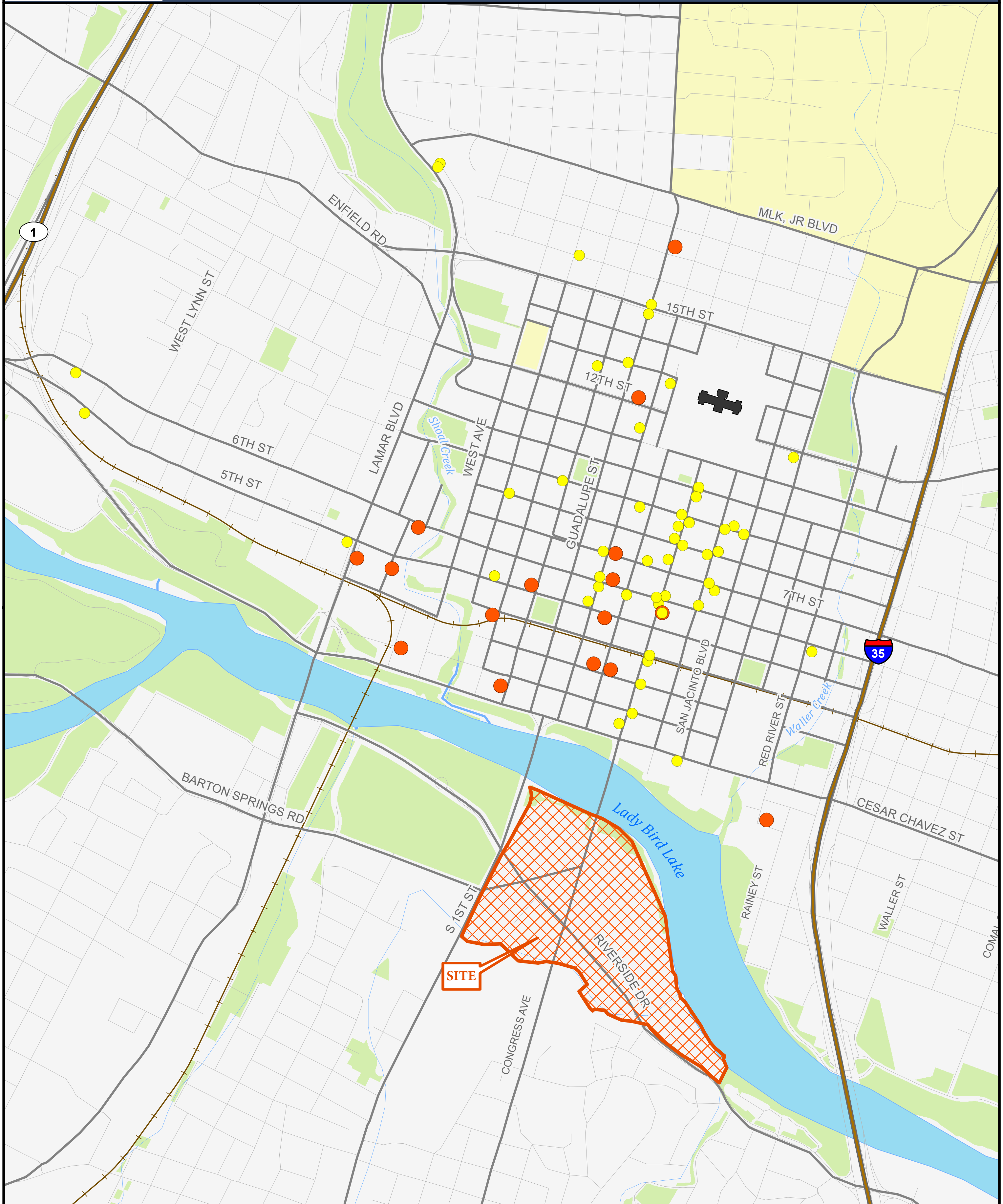
The additions to inventory in 2017 reflect actual construction, not change in data sources.



CAPITOL MARKET RESEARCH

Downtown Austin:

Existing Multi-tenant Office Buildings



Date: September 2021

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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 Austin market has grown from 6,909,980 sq. ft. in 50 buildings to 12,676,237 sq. ft. in 69 buildings (June 2021). While construction of new buildings tends to come in "spurts", the annual increase to the market inventory has averaged approximately 250,245 sq. ft. since December 2000. The inventory share of the total Austin market has slowly decreased, from a high of 24.2% in 2000, to a low of 20.7% in December 2016 but increased in 2021 to 21.4%, while maintaining an average of 21.9% over the past 20.5 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	6,909,980	24.2%	-2.5%
2001	31,162,686	7,003,641	22.5%	-1.8%
2002	33,198,203	7,408,860	22.3%	-0.2%
2003	33,125,064	7,486,771	22.6%	0.3%
2004	34,529,701	8,204,255	23.8%	1.2%
2005	34,607,839	8,183,635	23.6%	-0.1%
2006	34,513,174	8,166,880	23.7%	0.0%
2007	35,630,721	8,138,270	22.8%	-0.8%
2008	38,445,479	8,212,712	21.4%	-1.5%
2009	39,677,836	8,395,208	21.2%	-0.2%
2010	39,274,313	8,400,048	21.4%	0.2%
2011	39,358,387	8,516,361	21.6%	0.2%
2012	39,555,890	8,527,208	21.6%	-0.1%
2013	39,156,400	8,348,915	21.3%	-0.2%
2014	42,222,619	9,009,220	21.3%	0.0%
2015	44,004,567	9,295,905	21.1%	-0.2%
2016	45,977,582	9,498,497	20.7%	-0.5%
2017	50,158,624	10,580,370	21.1%	0.4%
2018	51,660,805	10,865,835	21.0%	-0.1%
2019	54,790,523	11,265,989	20.6%	-0.5%
2020	57,034,131	11,359,284	19.9%	-0.6%
Q2 2021	59,110,994	12,676,237	21.4%	1.5%
		Average	**21.9%**	

Source: Capitol Market Research, December 2000 - June 2021 offsum_cbd-2021.xls

Historical Absorption

Absorption in the downtown market area has fluctuated significantly over the years, but it has averaged approximately 21.0% of the annual citywide office space absorption since 2001, equating to an average annual absorption of 220,665 square feet a year between January 2004 and June 2021. 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 the Downtown market area experienced increases in occupancy and positive absorption, which confirms the ongoing desirability of the market area.

The Downtown market area has captured 21.0% of the citywide absorption from January 2004 through June 2021. 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 region.

Table (6)
Historical Office Absorption
Downtown Austin

Year	Citywide Absorption	Market Area Absorption	Market Share
2001	-1,680,818	-587,834	35.0%
2002	-1,274,633	-122,748	9.6%
2003	583,837	-34,506	-5.9%
2004	1,572,164	653,626	41.6%
2005	912,552	-49,264	-5.4%
2006	965,954	254,542	26.4%
2007	145,122	236,151	162.7%
2008	484,876	148,352	30.6%
2009	-971,414	-278,113	28.6%
2010	964,123	482,413	50.0%
2011	1,361,946	-56,681	-4.2%
2012	1,072,575	312,958	29.2%
2013	485,059	-271,621	-56.0%
2014	1,851,291	1,020,203	55.1%
2015	2,365,751	376,027	15.9%
2016	1,833,694	247,771	13.5%
2017	1,283,912	644,412	50.2%
2018	1,123,094	383,394	34.1%
2019	2,580,822	503,151	19.5%
2020	-1,441,617	-496,627	34.4%
2021	-691,926	-138,730	20.0%
Total	15,393,716	3,226,876	21.0%

Source: Capitol Market Research, September 2021 offsum_cbd.xls
Citywide Office Market Surveys Dec. 2000 - June 2021

Downtown Competitive Office Sites

In addition to the existing buildings, office space in the South-Central Waterfront TIF District will be competing with other downtown 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 2021 survey conducted by Capitol Market Research for this evaluation revealed a total of twenty-three zoned sites that have buildings that are either under construction, have been "announced" or that are likely to be developed as competitive office space. Later this year, 1111 West Sixth Street, 405 Colorado, 701 Rio, RiverSouth and Shoal Creek Walk II will deliver 738,584 square feet. In total there is 7,153,556 square feet of office space under construction and planned, thus indicating the potential for competitive development within the proposed project development horizon. After interviewing developers, property owners and leasing agents, we have prepared a "pipeline" analysis for the subject market area that represents the best information available to us in September 2021.

Table (7)

Planned Multi-Tenant Office Buildings

Downtown Austin

Map No.	Name	Address	Developer Name	Size	Status	Estimated Start	Estimated Completion
1	1111 West 6th South	1111 West 6th Street	Schlosser Development	70,000	Construction	Aug-20	Sep-21
.....	1111 West 6th North	1111 West 6th Street	Schlosser Development	108,000	Planned	Feb-22	May-23
2	1204 San Antonio	1204 San Antonio	TAC Risk Management	41,698	Construction	Sep-19	Mar-21
3	1301 Lavaca	1301 Lavaca	Ryan Companies	58,631	Submitted	tbd	tbd
4	14th & Guadalupe	400 West 14th Street	CREA	58,631	Submitted	tbd	tbd
5	300 Colorado	300 Colorado Street	Cousins	340,000	Construction	Dec-18	Feb-21
6	405 Colorado	405 Colorado St	Brandywine	202,138	Construction	Mar-19	Aug-21
7	410 Uptown	410 W. 18th St	Mid-City Development	186,957	Proposed	tbd	tbd
8	6X Guadalupe	600 Guadalupe St.	Lincoln/ Kairo	570,000	Construction	Sep-18	Oct-22
9	701 Rio	701 Rio Grande	Investor Alliance	120,983	Construction	Jan-20	Jul-21
10	98 Red River	98 Red River	Lincoln/ Kairo	700,000	Re-submitted	tbd	tbd
11	Block 16	201 San Jacinto	Manifold Real Estate	875,035	Submitted	tbd	tbd
12	Block 87	701 Trinity St.	Cielo Property Group	182,328	Withdrawn	tbd	tbd
13	Google Tower	601 West 2nd Street	Trammell Crow	800,000	Construction	Feb-19	Jun-22
14	Horizon Bank Tower	600 West 5th Street	Development 2000	138,218	Construction	May-21	Jan-23
15	Indeed Tower	200 W. 6th St.	Trammell Crow	665,000	Construction	Feb-18	May-21
16	Rainey Marketplace	84 Rainey St.	Sackman Development	68,500	Submitted	tbd	tbd
17	RiverSouth	401 South First St.	Stream Realty	271,663	Construction	Mar-19	Nov-21
18	Shoal Creek Walk II	805 West Sixth	Schlosser Development	143,800	Construction	Nov-20	Nov-21
19	TBA Redevelopment	203 West 10th Street	Development 2000	85,100	Construction	Apr-21	Oct-22
20	The Quincy	91 Red River	Endeavor Real Estate	77,781	Construction	Mar-19	May-21
21	Tower 5C	415 Colorado	Ryan Companies	463,723	Submitted	tbd	tbd
22	The Republic	308 Guadalupe Street	Lincoln Property Group	601,370	Submitted	tbd	tbd
23	UT Waterloo Tower	1313 Red River	2033 Foundation	324,000	Construction	Dec-19	Mar-22
	Total			7,153,556			

Source: Capitol Market Research, Developer Interviews, September 2021 compsite off_cbd.xls

Table (8)

Future Office Building Delivery

Downtown Austin

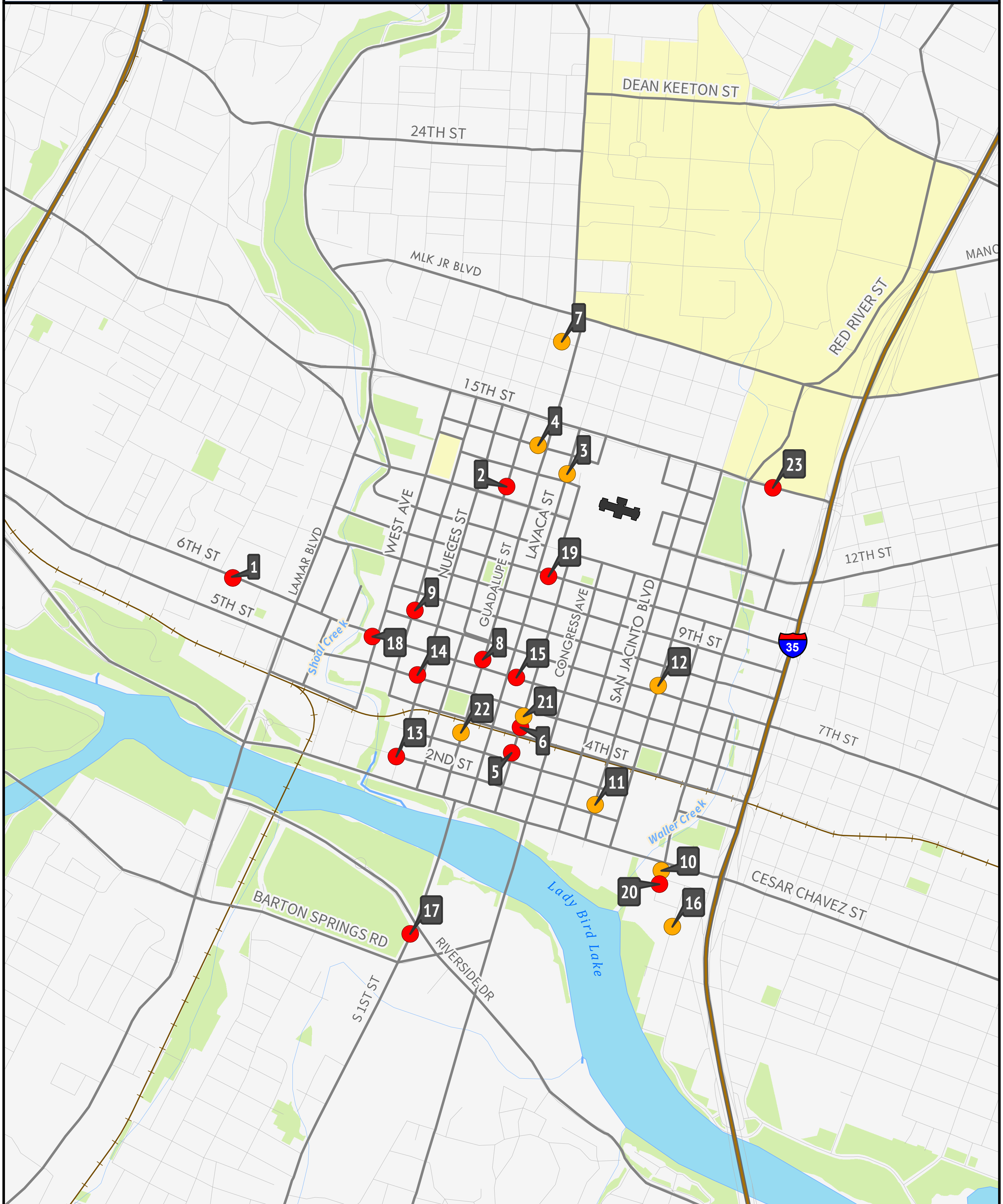
Map No.	Name	Sq.Ft.	Delivery Date	*2021*	*2022*	*2023*	*2024*	*Future*
1	1111 West 6th South	70,000	Sep-21	70,000	.....	.....	.....	.....
.....	1111 West 6th North	108,000	May-23	.....	.....	108,000	.....	.....
2	1204 San Antonio	41,698	Mar-21	41,698	.....	.....	.....	.....
3	1301 Lavaca	58,631	tbd	.....	.....	.....	.....	58,631
4	14th & Guadalupe	58,631	tbd	.....	.....	.....	.....	58,631
5	300 Colorado	340,000	Feb-21	340,000	.....	.....	.....	.....
6	405 Colorado	202,138	Aug-21	202,138	.....	.....	.....	.....
7	410 Uptown	186,957	tbd	.....	.....	.....	.....	186,957
8	6X Guadalupe	570,000	Oct-22	.....	570,000	.....	.....	.....
9	701 Rio	120,983	Jul-21	120,983	.....	.....	.....	.....
10	98 Red River	700,000	tbd	.....	.....	.....	.....	700,000
11	Block 16	875,035	tbd	.....	.....	.....	.....	875,035
12	Block 87	182,328	tbd	.....	.....	.....	.....	182,328
13	Google Tower	800,000	Jun-22	.....	800,000	.....	.....	.....
14	Horizon Bank Tower	138,218	Jan-23	.....	.....	138,218	.....	.....
15	Indeed Tower	665,000	May-21	665,000	.....	.....	.....	.....
16	Rainey Marketplace	68,500	tbd	.....	.....	.....	.....	68,500
17	RiverSouth	271,663	Nov-21	271,663	.....	.....	.....	.....
18	Shoal Creek Walk II	143,800	Nov-21	143,800	.....	.....	.....	.....
19	TBA Redevelopment	85,100	Oct-22	.....	85,100	.....	.....	.....
20	The Quincy	77,781	May-21	77,781	.....	.....	.....	.....
21	Tower 5C	463,723	tbd	.....	.....	.....	.....	463,723
22	The Republic	601,370	tbd	.....	.....	.....	.....	601,370
23	UT Waterloo Tower	324,000	Mar-22	.....	324,000	.....	.....	.....
	Total Sq. Ft.:	7,153,556		1,933,063	1,779,100	246,218	0	3,195,175
	Percent Leased:	28.8%		50.0%	63.2%	15.4%	...	...

Source: Capitol Market Research, Developer Interviews, September 2021 compsite off_cbd.xls

CAPITOL MARKET RESEARCH

Downtown Austin:

Multi-Tenant Office Buildings in Development



Date: September 2021

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N 0 0.2 0.4 Miles

Planned

Under Construction

Austin MSA Office Demand Forecast

Total employment in the Austin area is expected to grow by an average of 1.9% per year over the forecasted 20 years (2021-2040). In order to determine the number of these jobs being created in need of office space, CMR utilized the 2018 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 47.3% of all workers in the Austin area are located in office space, however, the percentage by industry group ranges 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 steadily to 47.1% in 2040. CMR has also estimated that each office worker will need an average of 225 square feet 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 2019 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 approximately 1.65 million square feet of "multi-tenant" office space annually from 2021 through 2040.

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
2021	1,133,100	47.3%	535,730	19,510	4,389,750	2,809,440
2022	1,185,100	47.3%	560,060	24,330	5,474,250	3,503,520
2023	1,221,800	47.3%	577,330	17,270	3,885,750	2,486,880
2024	1,247,300	47.2%	589,220	11,890	2,675,250	1,712,160
2025	1,265,800	47.2%	597,540	8,320	1,872,000	1,198,080
2026	1,285,000	47.2%	606,160	8,620	1,939,500	1,241,280
2027	1,304,800	47.1%	615,160	9,000	2,025,000	1,296,000
2028	1,324,000	47.1%	624,120	8,960	2,016,000	1,290,240
2029	1,343,900	47.1%	633,400	9,280	2,088,000	1,336,320
2030	1,363,400	47.1%	642,590	9,190	2,067,750	1,323,360
2031	1,383,805	47.1%	652,210	9,620	2,164,500	1,385,280
2032	1,404,516	47.1%	661,970	9,760	2,196,000	1,405,440
2033	1,425,536	47.1%	671,880	9,910	2,229,750	1,427,040
2034	1,446,871	47.1%	681,930	10,050	2,261,250	1,447,200
2035	1,468,526	47.1%	692,140	10,210	2,297,250	1,470,240
2036	1,490,504	47.1%	702,500	10,360	2,331,000	1,491,840
2037	1,512,812	47.1%	713,010	10,510	2,364,750	1,513,440
2038	1,535,453	47.1%	723,680	10,670	2,400,750	1,536,480
2039	1,558,433	47.1%	734,510	10,830	2,436,750	1,559,520
2040	1,581,757	47.1%	745,510	11,000	2,475,000	1,584,000
Total				229,290	51,590,250	33,017,760

Source: *Employment Forecast from Table (1)* empgro_Austin_2021.xls

Note: *Office Employment is estimated to range from 47.3% to 47.1% 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 64% of the total demand

Market Area and Subject Absorption Forecast

Since 2010, the office market conditions in the Downtown Austin have 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 3.17 million square feet of Class "A" office delivered since 2016, and 3.85 million square feet currently under construction. Construction on all office buildings continued through 2020 and early 2021 in spite of the uncertainty regarding occupancy of leased space. The consensus among office building developers and their tenants is that there will be continuing need for office space, although the interior space lay-out and frequency of use will be altered as a result of the pandemic.

The downtown market area is currently 82.0% occupied, and in spite of the high vacancy rate, there are very few large blocks of contiguous space available for lease. Over the last nine months the amount of space available in older buildings has decreased as sub-lease space is taken of the market, or has been leased. Due to the continued strong demand, in spite of the uncertainty surrounding the COVID pandemic 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 Downtown market area from 2021 through 2040 based on the 25.0% historical capture rate experienced in the market area from 2004 through June 2021. Based on these assumptions, and the planned site inventory and future construction schedule previously discussed, an absorption and occupancy forecast has been 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	8,183,635	(20,620)	1,698,370	79.2%	(49,264)
2006	8,166,880	(16,755)	1,427,073	82.5%	254,542
2007	8,138,270	(28,610)	1,162,312	85.7%	236,151
2008	8,212,712	74,442	1,088,402	86.7%	148,352
2009	8,395,208	182,496	1,549,011	81.5%	(278,113)
2010	8,400,048	4,840	1,071,438	87.2%	482,413
2011	8,516,361	116,313	1,244,432	85.4%	(56,681)
2012	8,527,208	10,847	942,321	88.9%	312,958
2013	8,348,915	(178,293)	1,035,649	87.6%	(271,621)
2014	9,009,220	660,305	675,751	92.5%	1,020,203
2015	9,295,905	286,685	586,409	93.7%	376,027
2016	9,498,497	202,592	541,230	94.3%	247,771
2017	10,580,370	1,081,873	978,691	90.7%	644,412
2018	10,865,835	285,465	880,762	91.9%	383,394
2019	11,265,989	400,154	777,765	93.1%	503,151
2020	11,359,284	93,295	1,367,686	88.0%	(496,627)
2021	13,292,347	1,933,063	1,632,209	87.7%	1,668,541
2022	15,071,447	1,779,100	1,411,986	90.6%	1,999,322
2023	15,317,665	246,218	1,036,880	93.2%	621,324
2024	15,745,665	428,000	1,037,112	93.4%	427,768
2025	16,044,665	299,000	1,036,783	93.5%	299,329
2026	16,354,665	310,000	1,036,661	93.7%	310,122
2027	16,678,665	324,000	1,036,867	93.8%	323,794
2028	17,000,665	322,000	1,036,512	93.9%	322,355
2029	17,334,665	334,000	1,036,645	94.0%	333,867
2030	17,665,665	331,000	1,037,015	94.1%	330,629
2031	18,011,665	346,000	1,036,916	94.2%	346,100
2032	18,362,665	351,000	1,036,779	94.4%	351,136
2033	18,719,665	357,000	1,037,247	94.5%	356,533
2034	19,081,665	362,000	1,037,677	94.6%	361,570
2035	19,448,665	367,000	1,037,351	94.7%	367,326
2036	19,821,665	373,000	1,037,628	94.8%	372,723
2037	20,199,665	378,000	1,037,509	94.9%	378,119
2038	20,583,665	384,000	1,037,634	95.0%	383,875
2039	20,973,665	390,000	1,038,002	95.1%	389,632
2040	21,369,665	396,000	1,038,254	95.1%	395,748

Source: Capitol Market Research, September 2021 offsum_cbd_2021.xls

Additions to inventory in 2021 - 2023 are based on the delivery of buildings currently under construction or planned with a definitive delivery date.

The office space additions shown for 2024 - 2030 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 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 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 had 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 (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 (11) on the following page.

Table (11)

Office Space Absorption Forecast

Downtown Austin and the SouthCentral Waterfront

Year	Citywide Absorption	CBD Market %	Market Area (CBD) Absorption	Market Area Additions	South Central Waterfront				
					Proportional Capture Rate	Competitive Capture Rate	Blended Rate	Absorption Potential in SCW	Cummulative Potential Absorption
2021	2,809,440	*25.0%*	1,668,541	1,933,063	18.4%	18.4%	18.4%	307,011	307,011
2022	3,503,520	*25.0%*	1,999,322	1,779,100	18.4%	20.1%	19.2%	384,501	691,513
2023	2,486,880	*25.0%*	621,324	246,218	18.4%	21.7%	20.1%	124,657	816,170
2024	1,712,160	*25.0%*	427,768	428,000	18.4%	23.4%	20.9%	89,381	905,551
2025	1,198,080	*25.0%*	299,329	299,000	18.4%	25.1%	21.7%	65,033	970,584
2026	1,241,280	*25.0%*	310,122	310,000	18.4%	26.7%	22.6%	69,957	1,040,541
2027	1,296,000	*25.0%*	323,794	324,000	18.4%	28.4%	23.4%	75,734	1,116,275
2028	1,290,240	*25.0%*	322,355	322,000	18.4%	30.0%	24.2%	78,078	1,194,353
2029	1,336,320	*25.0%*	333,867	334,000	18.4%	31.7%	25.1%	83,643	1,277,995
2030	1,323,360	*25.0%*	330,629	331,000	18.4%	33.4%	25.9%	85,581	1,363,576
2031	1,385,280	*25.0%*	346,100	346,000	18.4%	35.0%	26.7%	92,463	1,456,039
2032	1,405,440	*25.0%*	351,136	351,000	18.4%	36.7%	27.5%	96,729	1,552,768
2033	1,427,040	*25.0%*	356,533	357,000	18.4%	38.4%	28.4%	101,180	1,653,948
2034	1,447,200	*25.0%*	361,570	362,000	18.4%	40.0%	29.2%	105,616	1,759,565
2035	1,470,240	*25.0%*	367,326	367,000	18.4%	41.7%	30.0%	110,352	1,869,917
2036	1,491,840	*25.0%*	372,723	373,000	18.4%	43.3%	30.9%	115,073	1,984,990
2037	1,513,440	*25.0%*	378,119	378,000	18.4%	45.0%	31.7%	119,884	2,104,874
2038	1,536,480	*25.0%*	383,875	384,000	18.4%	46.7%	32.5%	124,901	2,229,775
2039	1,559,520	*25.0%*	389,632	390,000	18.4%	48.3%	33.4%	130,014	2,359,789
2040	1,584,000	*25.0%*	395,748	396,000	18.4%	50.0%	34.2%	135,346	2,495,135
Total			10,339,813	10,010,381			24.1%	2,495,135	

Source:Capitol Market Research, September 2021 offsum_scw_2021.xls

Capture rate based (in part) on SCW potential development of opportunity sites as a percentage of the total CBD

Table (12)

Office Space Absorption Forecast

South Central Waterfront

Year	Suouth Central Waterfront				
	Subject Demand	Cumulative Demand	New Sq.Ft. Added	Cumulative Sq.Ft. Added	Cumulative less Sq.Ft. Added
2021	307,011	307,011	271,663	271,663	35,348
2022	384,501	691,513	0	271,663	419,850
2023	124,657	816,170	124,657	396,320	419,850
2024	89,381	905,551	89,381	485,701	419,850
2025	65,033	970,584	65,033	550,734	419,850
2026	69,957	1,040,541	69,957	620,692	419,850
2027	75,734	1,116,275	75,734	696,425	419,850
2028	78,078	1,194,353	78,078	774,503	419,850
2029	83,643	1,277,995	83,643	858,145	419,850
2030	85,581	1,363,576	85,581	943,726	419,850
2031	92,463	1,456,039	92,463	1,036,189	419,850
2032	96,729	1,552,768	96,729	1,132,918	419,850
2033	101,180	1,653,948	101,180	1,234,099	419,850
2034	105,616	1,759,565	105,616	1,339,715	419,850
2035	110,352	1,869,917	110,352	1,450,067	419,850
2036	115,073	1,984,990	115,073	1,565,141	419,850
2037	119,884	2,104,874	119,884	1,685,024	419,850
2038	124,901	2,229,775	124,901	1,809,925	419,850
2039	130,014	2,359,789	130,014	1,939,939	419,850
2040	135,346	2,495,135	135,346	2,075,285	419,850
Total	2,495,135		2,075,285		

Source: Capitol Market Research, September 2021 offsum_scw_2021.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 75,008 net units added between 2010 and 2019, 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 (10,780 units in 2016). 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, culminating with the opening of 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, 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. In 2017, there was again over 10,000 units added while absorption slowed (5,891 units), dropping the occupancy rate to 92.2%. In 2018 and 2019, occupancy and new unit deliveries gained strength, with 20,670 units added and 21,072 units absorbed during those two years. Occupancy and rent both climbed through the end of 2019, reaching 93.3% and $1.54 per square foot, respectively.

In 2020 CMR conducted a region wide survey in June and December. The June survey showed the pronounced and immediate impact that the COVID-19 global pandemic had on the Austin market. While new unit deliveries continued, reaching 6,633 net units in the first six months of 2020, occupancy dropped to 91.5% as absorption slowed to just 1,773 units, due to the curtailment of population migration and job growth. Rental rates dipped as well, dropping to $1.50 per square foot (net effective), as many new and recently built Class “A” properties offered leasing concessions. In December, deliveries slowed a little to 5,997 while absorption increased to 4,373. The pace of rental rate decline decreased as the year ended at $1.48. Table (13), on the following page, provides apartment market conditions from December 2000 through December 2020. Total deliveries for the year were 12,630, the highest number of units delivered since 1990. Absorption fell to 6,146, which is about the average seen from 2009-2018.

The June 2021 apartment survey revealed a remarkable recovery. Occupancy rates jumped to 93.2% and absorption in the first six months exceeded all previous twelve-month records with 11,541 units absorbed. Rental rates also increased to $1.59, a 7.4% increase from December 2022. More recent data collected in specific sub-markets show that this trend is continuing, and it appears likely that this year will break all previous records for both new unit deliveries and absorption.

Historical data on occupancy, average rent, unit completions and absorption were 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 2005 - June 2021

Year	Total Units	Occupied Units	Percent Occupied	Net Units Added	Calculated Absorption	Rent per Sq.Ft.
2005	124,325	117,389	94.4%	1,819	6,243	$0.85
2006	126,842	120,304	94.8%	2,517	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
2018	221,242	205,882	93.1%	10,587	11,313	$1.46
2019	231,377	215,765	93.3%	10,083	9,759	$1.54
Jun-20	237,744	217,455	91.5%	6,633	1,773	$1.50
Dec-20	244,296	222,336	91.0%	5,997	4,373	$1.48
Jun-21	251,019	233,877	93.2%	6,723	11,541	$1.59

Source: Capitol Market Research: December 2000 - June 2021 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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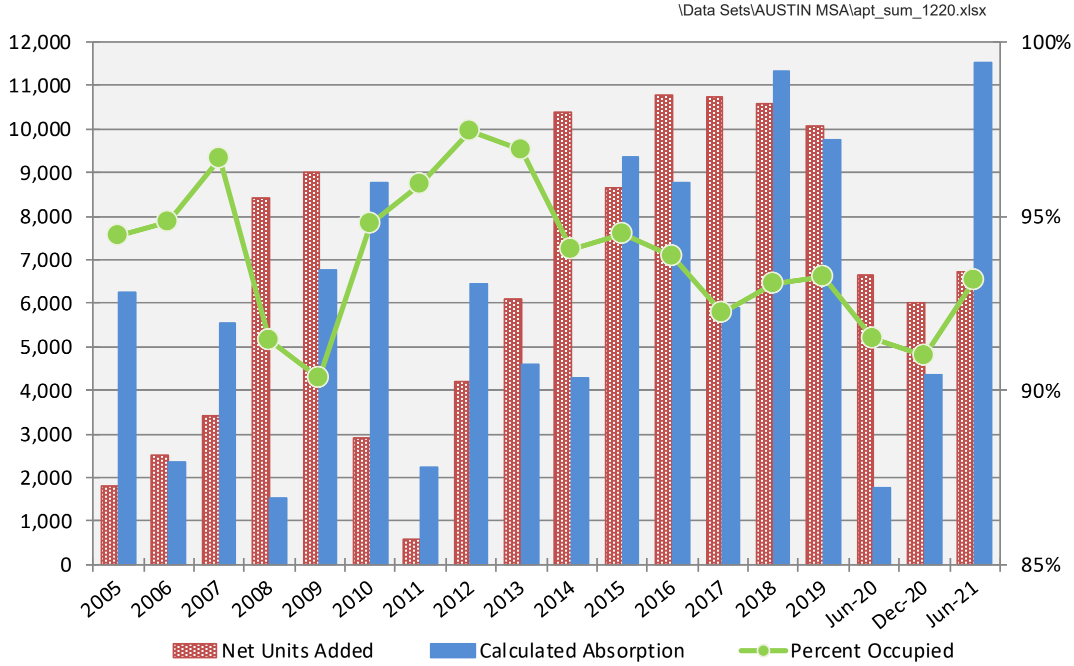


Downtown Multi-Family Housing Market Conditions

Overview

In August 2021, Capitol Market Research surveyed 29 active (open and leasing) apartment communities in the Downtown Austin market area, with a total of 6,551 units and a current occupancy rate of 96.2%. Average rents have increased to $3.01, an astounding 17.1% increase since December 2020. Unlike some larger and more mature cities, the downtown area in Austin has only emerged recently as a distinct submarket, since 6,392 (97.8%) of the 6,551 total units have been completed since the beginning of 2000. A historical summary of the market area inventory, occupancy, and rents is shown on Table (14) on the following page.

Occupancy Rates

Occupancy rates in the Downtown Austin market area remained high in December 2006 and December 2007, when there were only 783 units in this relatively small market area. In December 2008, occupancy rates dropped to 83.2%, when 845 new units were added during the national recession. The following year (2009) the market area occupancy rose to 90.1%, even as an additional 722 units were added to the market. The next few years saw a pause in construction and a recovery in occupancy rates, reaching 97.1% in 2012. Occupancy decreased again in 2013, as an influx of new units started to be delivered, then remained above 90% until 2016, when occupancy was at 85.0%. The market area strengthened dramatically over the next two years, with occupancy reaching back up to 95.6% in 2018. Occupancy began to decline in 2019 (92.6%) with the delivery of 101 new units at Gables Republic Square and 226 units at The Clark. In June 2020, as the COVID restrictions disproportionately affected the CBD, the occupancy continued to drop to 88.6%. Some of this decline can be attributed to the addition of the remaining 120 units at Gables Republic Square, in the middle of the COVID-19 pandemic. In addition, many properties lost tenants when their lease term came up and they choose not to renew. At the end of 2020 occupancy had begun to increase and by June 2021, it has rebounded to 96.2% Some of the increase in occupancy can be attributed to the Texas Governor's March 2, 2021 Executive Order, which increased capacity of all businesses and facilities in the State to 100 percent.

The absorption demonstrated in 2008 through 2010, concurrent with a steady delivery of new units, was very strong, as the Downtown Austin market area absorbed 1,765 units. The following years, 2011 and 2012, saw a decrease in absorption as delivery of new units paused. The market area absorption rate increased again starting in 2013, as construction in the market area ramped up. From 2013 through 2016, the Downtown Austin market area absorbed 2,283 of the 3,060 units added. Even with a lapse in new construction in 2017 and 2018, the market area continued to absorb units, although at a slower pace as unit availability decreased. In the spring of 2019, all 226 units at The Clark were added along with 101 of the 221 units at Gables Republic Square. The 2019 absorption rate sagged as only 127 units were absorbed, increasing at the end of 2020 when 185 units were absorbed. Over the first eight months of 2021 347 units have been added, with a six-month absorption of 481 units.

New Construction Trends

The Downtown Austin 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 Downtown market area since 2000 when only a handful of older, lower density 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 downtown has increased, and now the majority of new projects completed and planned are high-rise towers. The multi-family market in Downtown Austin 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 downtown area. The market has responded to renter needs, and currently there are a wide variety of product types in the downtown market such as office buildings and entertainment hubs.

New construction in Downtown Austin has been very active, with sixteen new projects completed since the beginning of 2010. Ten of the sixteen are high-rise towers, which offer very high-grade finishes and extensive project amenities which justify a higher-than-average rent per square feet of $3.21. These ten apartment towers have a total of 2,984 rentable units. The downtown towers reached a high of $3.05 in 2019 but decreased in 2020 ($2.93) due to the opening of Gables Republic Square and the pandemic. Current rental rates at high rise communities average $3.38, which is an historic high rate.

The two most recently completed projects are Gables Republic Square, a class “A+” high-rise mixed-use project partnered with the Hotel ZaZa, and The Quincy, a mixed-use tower with ground floor retail, three floors of office space (floors 9,10 & 11) and 17 floors of apartments on floors 13 – 29. These two high rise properties, Gables Republic Square and The Quincy are currently leasing at the highest rates in the market area, at $4.23 and $3.76 per square foot, respectively.

Table (14)

Apartment Market Summary

Downtown Austin

Year	Number of Units	Units Occupied	Occupancy Rate	Net Units Added	Annual Absorption	Rent per Sq. Ft.
2006	783	767	98.0%	0	17	$1.81
2007	783	756	96.6%	0	(11)	$1.93
2008	1,628	1,354	83.2%	845	598	$1.86
2009	2,350	2,118	90.1%	722	764	$1.88
2010	2,642	2,521	95.4%	292	403	$2.05
2011	2,640	2,482	94.0%	(2)	(39)	$2.06
2012	2,647	2,570	97.1%	7	88	$2.29
2013	3,230	2,849	88.2%	583	279	$2.39
2014	3,670	3,403	92.7%	440	554	$2.44
2015	4,524	4,099	90.6%	854	696	$2.59
2016	5,707	4,853	85.0%	1,183	754	$2.51
2017	5,759	5,353	93.0%	52	500	$2.51
2018	5,760	5,508	95.6%	1	155	$2.79
2019	6,087	5,638	92.6%	327	130	$2.73
2020	6,204	5,823	93.9%	117	185	$2.57
Aug-21	6,551	6,304	96.2%	347	481	$3.01

Source: Capitol Market Research December 2006 - August 2021 histocc.xls

Note: Includes some Affordable Housing & Student Housing which is located in the market area

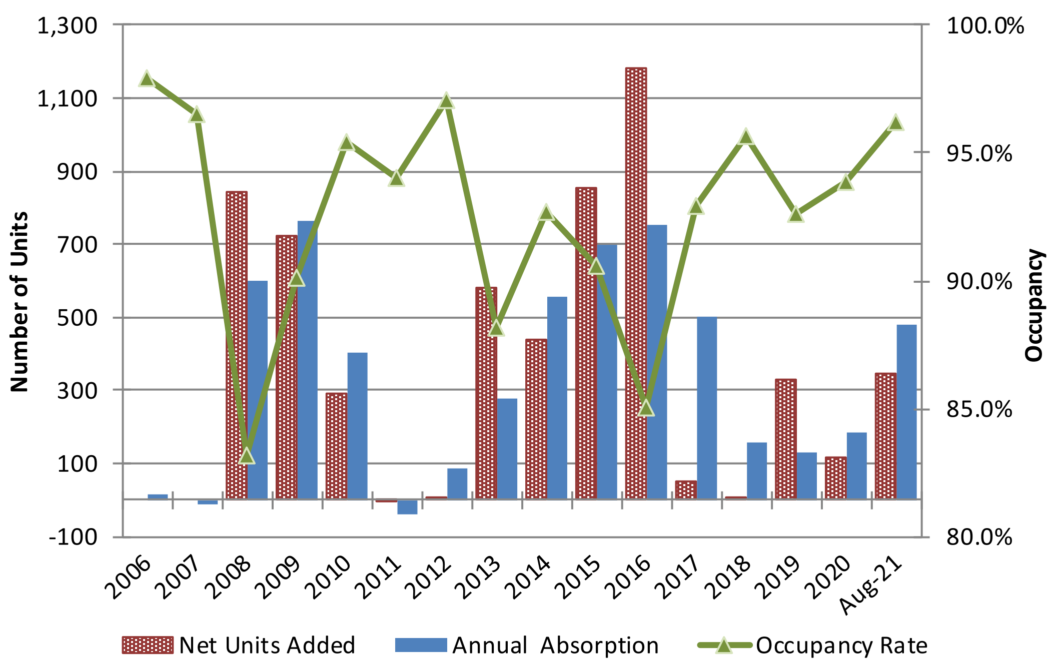


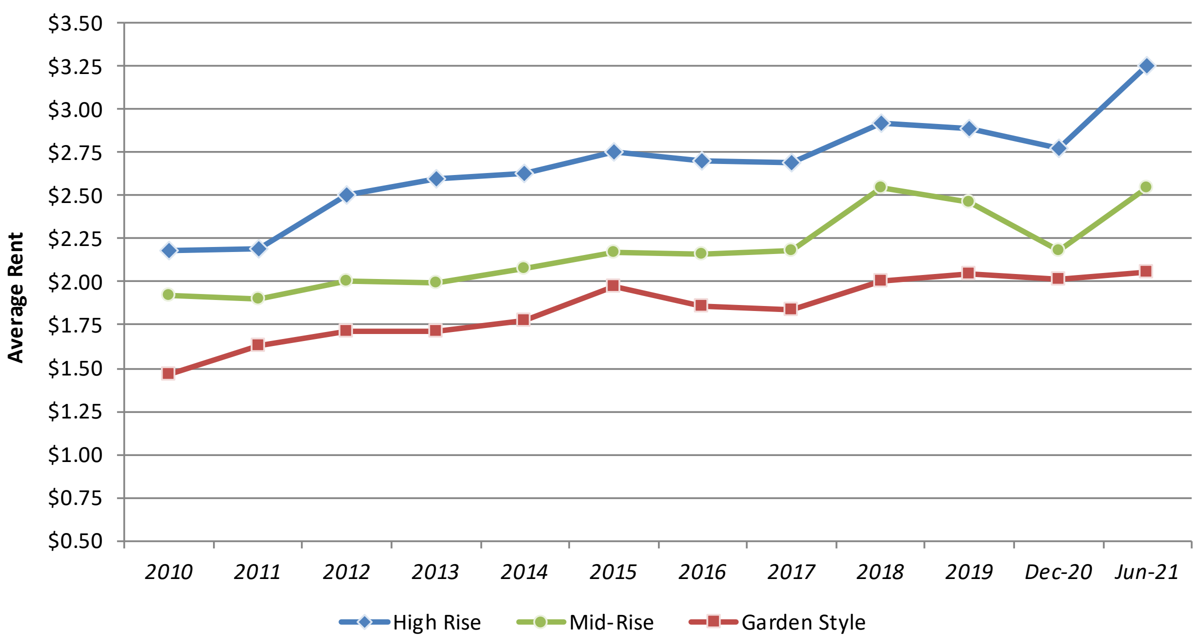
Table (15)

Average Rent by Building Type

Downtown Austin

	2010	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*Dec-20*	*Jun-21*
High Rise												
Rentable Units	1,488	1,486	1,493	2,076	2,302	3,180	3,618	3,618	3,619	3,720	3,837	3,837
Average Rent	$2.18	$2.19	$2.50	$2.60	$2.63	$2.75	$2.70	$2.69	$2.92	$2.89	$2.78	$3.25
Mid-Rise												
Rentable Units	971	971	971	971	1,185	1,185	1,930	1,982	1,982	2,208	2,208	2,208
Average Rent	$1.92	$1.90	$2.00	$1.99	$2.08	$2.17	$2.16	$2.18	$2.55	$2.46	$2.18	$2.55
Garden Style												
Rentable Units	183	183	183	183	183	159	159	159	159	159	159	159
Average Rent	$1.46	$1.63	$1.71	$1.71	$1.78	$1.97	$1.86	$1.84	$2.00	$2.05	$2.02	$2.06
Total/Averages												
Rentable Units	2,642	2,640	2,647	3,230	3,670	4,524	5,707	5,759	5,760	6,087	6,204	6,204
Average Rent	$2.05	$2.06	$2.29	$2.39	$2.44	$2.59	$2.51	$2.51	$2.79	$2.73	$2.57	$3.01

Prepared by Capitol Market Research, June 2021 rent_occ.xls



Project Absorption and Lease-Up Rates

The Downtown Austin market area has five recently completed and stabilized market rate properties. These stabilized properties have a "weighted" average lease-up rate of 18.37 units per month, ranging from a high of 25.57 units at "Northshore" to a low of 12.50 units per month at The Bowie. These properties took (on average) approximately 14.4 months to stabilize and are currently 90.4% occupied. There is currently one market rate property in lease-up, The Quincy, which currently has 192 of its 347 units available for occupancy. This property has been leasing at an average of 43.27 units per month since it opened on August 1st. This high rate of absorption is often experienced when a property first opens due to the amount of pre-leasing that takes place prior to the official opening date. In this case, the leasing activity also reflects the lack of competing inventory in lease-up in the downtown market.

Table (16)

Recent Leasing Activity in New Market Rate Communities

Downtown Austin

Property	YOC	Planned Units	Completed Units	Open Date	Stabilized Date	Units Occupied *(at Stabilization)*	Occupancy Rate *(Stabilized)*	Units/Month Leased
Stabilized Properties								
The Bowie	*2015*	358	358	Jan-15	Mar-17	322	90.0%	12.50
Camden Rainey Street	*2016*	326	326	Jun-16	Nov-17	293	90.0%	17.10
Northshore	*2016*	439	439	Mar-16	Jul-17	395	90.0%	25.57
The Clark	*2019*	226	226	Mar-19	Apr-20	203	90.0%	16.15
Gables Republic Square	*2020*	221	221	Sep-19	Aug-20	199	90.0%	17.69
Stabilized Subtotal		1,570	1,570			1,413	90.0%	18.37

Source: Capitol Market Research Apartment Survey, September 2021 absorption.xls

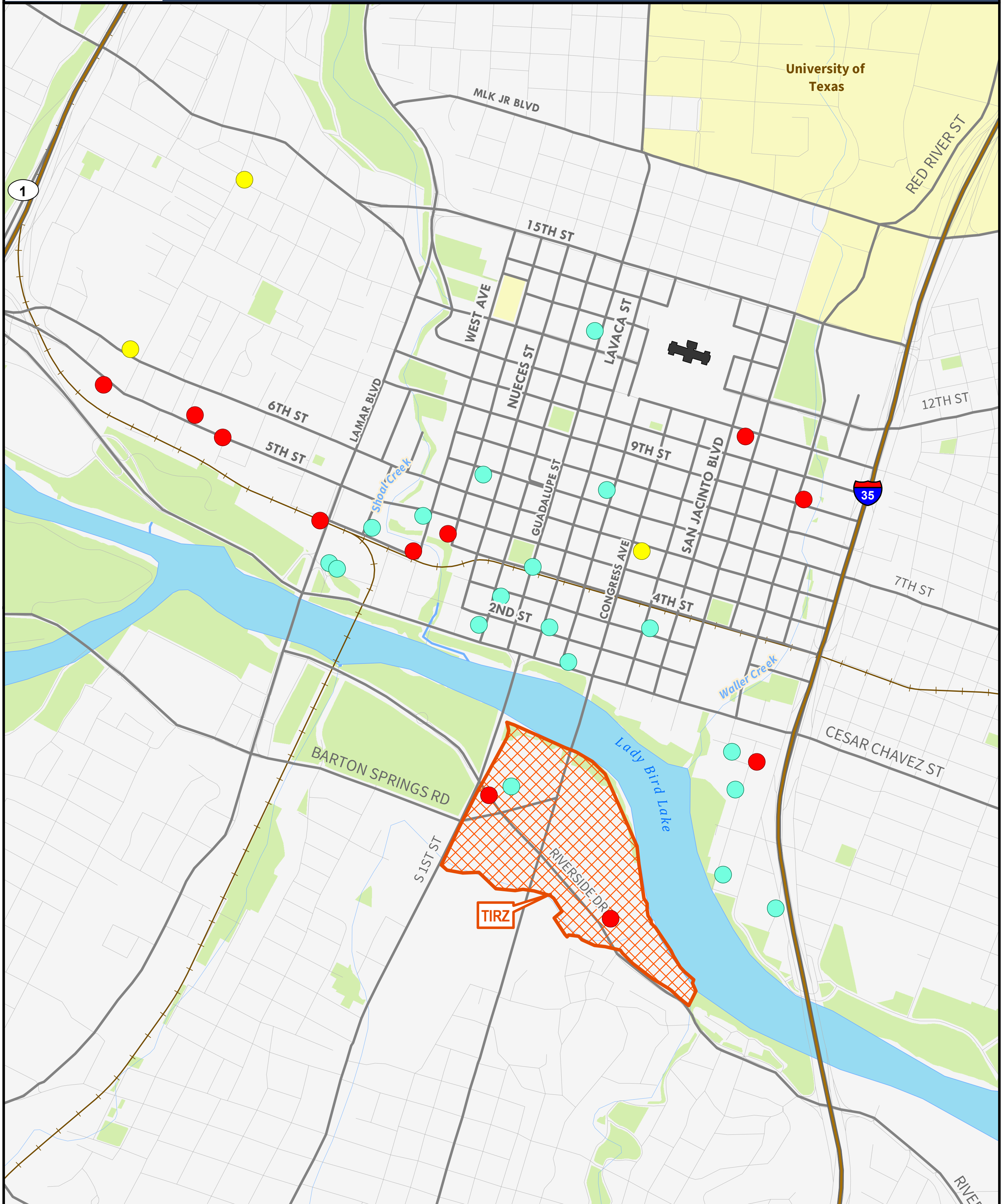
NOTE: The average monthly lease up rate is a weighted average, based on open data and occupied units

Property	YOC	Planned Units	Completed Units	Open Date	Survey Date	Units Occupied *(Current)*	Occupancy Rate *(Current)*	Units/Month Leased
Properties In Lease-Up								
The Quincy	*2021*	347	192	Aug-21	Sep-21	113	32.6%	43.27
In Lease-Up Subtotal		347	192			113	32.6%	43.27

CAPITOL MARKET RESEARCH

Downtown Austin:

Existing Apartments



Date: September 2021

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Low Rise High Rise Mid Rise

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Downtown Austin Demographic Trends

Inner city neighborhoods in Austin, and many other cities, are experiencing a transition in demographics and housing stock that reflects the changing character of the American city. Old, historically minority single-family neighborhoods are slowly evolving into multi-ethnic neighborhoods with a diversity of housing products that include smaller attached units that appeal to the increasing number of one and two person households. Downtown has very little low density housing inventory, with most of the homes located in the Rainey Street neighborhood and in the west end. Both areas are experiencing rapid development with high rise towers replacing the older homes and small commercial buildings.

The defined Downtown Austin market area has experienced a large growth in population between 2000, when 15,968 people resided in the area, to 2010 when the population totaled 20,926. This increase coincides with an overall population increase of 37.33% in the Austin MSA over the same time period. More recently, the ACS (2015-2019) illustrates the continued growth of the downtown, with 26,171 residents in 2017 The Downtown Austin market area has also seen an increase in total households from 7,874 in 2000 to 10,360 in 2010, and 12,575 in 2017 (ACS 2015-2019). The ESRI 2020 estimates for downtown show an increase in households to 15,208 with almost 25,000 people residing in the area. The decrease in the market area household size from 2000 to 2020 is a reflection of the increase in multifamily condo and apartment developments in the downtown market area, which generally attract households with fewer people. With the recent deliveries of several new condominium projects in Downtown, the percentage of owner households has also risen, reaching 33.05% in 2020.

Table (17)

Population and Household Trends

Downtown Market Area

	2000	*2010*	*2017*	*2020*	*Annual Change (2000 - 2020)*
Population	15,968	20,926	26,171	28,380	*2.92%*
Households	7,874	10,360	12,575	15,208	*3.35%*
Population in Households	13,601	17,448	22,899	24,922	*3.07%*
Average HH Size	1.73	1.68	1.82	1.64	*-0.26%*
Owner Households	2,212	3,061	3,893	5,027	*4.19%*
Percent Owner	*28.09%*	*29.55%*	*30.96%*	*33.05%*	*0.82%*

Source: US Bureau of the Census, 2000, 2010, ACS 2015-2019; ESRI 2020 estimates demcalc.xls

Note: The ACS 2015-2019 is a rolling 5-year survey, meant to represent the median year of 2017.

Prepared by Capitol Market Research, 2021

Downtown Austin Population and Household Forecast

According to the U.S. Census Bureau, the Downtown market area contained 1.22% of the population of the Austin MSA in 2010. This share increased slightly to 1.26% in 2017 and is foecasted to grow to 1.60% in 2025. The population and household forecast, shown in Table (18) below, uses the increase in 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 2.43% in 2021 to 5.73% 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 average 1,721 new households per year from 2021 through 2040.

Table (18)

Population and Household Forecast

Downtown Austin

Year	Forecasted MSA Population Growth	MARKET AREA FORECAST			
		Capture Rate	New Population	Household Size	New HH
2021	2,303,656	2.43%	1,381	1.68	820
2022	2,361,508	2.60%	1,504	1.68	893
2023	2,420,465	2.77%	1,635	1.68	971
2024	2,480,534	2.95%	1,770	1.68	1,051
2025	2,541,890	3.12%	1,915	1.68	1,137
2026	2,604,490	3.30%	2,063	1.68	1,225
2027	2,668,334	3.47%	2,215	1.68	1,315
2028	2,733,564	3.64%	2,376	1.68	1,411
2029	2,800,232	3.82%	2,545	1.68	1,511
2030	2,868,341	3.99%	2,718	1.68	1,614
2031	2,937,888	4.16%	2,896	1.68	1,720
2032	3,008,876	4.34%	3,080	1.68	1,829
2033	3,081,302	4.51%	3,268	1.68	1,940
2034	3,155,065	4.69%	3,457	1.68	2,052
2035	3,230,249	4.86%	3,654	1.68	2,170
2036	3,306,941	5.03%	3,861	1.68	2,292
2037	3,385,165	5.21%	4,074	1.68	2,419
2038	3,464,975	5.38%	4,295	1.68	2,550
2039	3,546,292	5.56%	4,518	1.68	2,682
2040	3,629,227	5.73%	4,752	1.68	2,821

Prepared by: Capitol Market Research, 2021

Notes: MSA population forecast based on most recent MSA forecast from the Teaxs State Data Center 2018. Capture Rate is based on market area change in share from 2015 to 2025 calculated from the CAMPO 2045 TAZ data for the downtown market area.

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 slowly decline as a percentage of total households. 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 land inventory, 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 1,233 units per year from 2021 through 2040, as shown in Table (19) below.

Table (19)

Multi-family Unit Demand

Downtown Austin

Year	HH Increase	MARKET AREA FORECAST			
		% Renter	New Owner HH	% Multi-Family	Multi-Family Unit Demand
2021	901	68.23%	615	100.0%	615
2022	978	68.03%	666	100.0%	666
2023	1,061	67.83%	720	100.0%	720
2024	1,147	67.63%	776	100.0%	776
2025	1,238	67.43%	835	100.0%	835
2026	1,332	67.23%	896	100.0%	896
2027	1,429	67.02%	958	100.0%	958
2028	1,532	66.82%	1,024	100.0%	1,024
2029	1,639	66.62%	1,092	100.0%	1,092
2030	1,750	66.42%	1,163	100.0%	1,163
2031	1,865	66.22%	1,235	100.0%	1,235
2032	1,983	66.02%	1,309	100.0%	1,309
2033	2,105	65.81%	1,385	100.0%	1,385
2034	2,227	65.61%	1,461	100.0%	1,461
2035	2,355	65.41%	1,540	100.0%	1,540
2036	2,489	65.21%	1,623	100.0%	1,623
2037	2,628	65.01%	1,708	100.0%	1,708
2038	2,772	64.81%	1,796	100.0%	1,796
2039	2,917	64.60%	1,885	100.0%	1,885
2040	3,070	64.40%	1,977	100.0%	1,977

Prepared by: Capitol Market Research, 2021 demcalc.xls

Notes: New PMA Households based on Table (9). Percent owner based on the change in tenure from 2010 and the ACS 2015-2019 Survey. Percent attached housing based on new building permits issued in the area over the last 10 years.

Downtown Competitive Multi-Family Sites

Currently, the market area occupancy is 96.2% occupied, which is a sharp increase from the 93.9% reported at the end of 2020. Recent interviews with the City of Austin planning department, and local brokers and apartment developers, revealed 19 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 2021, 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 Austin

Map No	Project	Address	Units	Developer	Status	Zoning
1	321 W. 6th St	321 W. 6th St.	385	Ryan Companies	Submitted	CBD
2	416 West 12th Street	416 West 12th St	280	Stratus Properties	Proposed	DMU
3	504 East Fifth	504 East Fifth Street	250	Stonelake Capital	Proposed	CBD
4	6X Guadalupe	600 Guadalupe St.	349	Kairoi Dev./Lincoln	Construction	CBD
5	827 W. 12th Street	827 W. 12th St.	147	Transwestern	Construction	DMU
6	Alexan Waterloo	700 E. 11th St.	274	Trammell Crow	Construction	CS-CO-NP
7	Block 36	710 E. 3rd St.	257	Transwestern	Construction	CBD
8	Capital Quarters	1108 Nueces	90	Medici Living Group	Construction	DMU-CO
9	East 9th Street	701 E. 9th Street	144	Sackman Enterprises	Submitted	CBD
10	East Avenue Apts	16 North IH-35	185	Richman Southwest	Submitted	CBD
11	Hanover Brazos Street	201 East Third	308	The Hanover Co.	Construction	CBD
12	Hanover Republic Square	303 W 5th Street	310	The Hanover Co.	Construction	CBD
13	Pressler Apartments	300 Pressler St.	326	Riverside Resources	Submitted	CS-CO-NP
14	River & Rainey	700 River Street	390	Trammell Crow	Submitted	CBD
15	Sienna at The Thomson	501 Brazos St.	331	Magellan Dev.	Construction	CBD
16	Symphony Square	1104 Sabine St	388	Greystar Residential	Construction	CBD
17	The Quincy	91 Red River Street	347	Endeavor	Construction	CBD
18	The Travis	80 Red River St.	431	Genesis Real Estate	Construction	CBD
19	Waller Creek Tower	92 Red River St.	332	Kairoi Dev./Lincoln	Approved	CBD-CURE
	Total		**5,524**			

Source: CMR Review of city plats, developer interviews, August 2021 compsite_apt_cbd_2021.xls

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

**Status of Submitted, Approved, or Expired refer to City of Austin permitting. Proposed projects 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 1,233 new apartment units for 2021 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 six projects "on hold" due to situations such as higher than anticipated construction costs, financing challenges, and right of way disputes. Among the 19 projects listed below, four are under construction and expected to deliver units in 2021, while three additional projects will introduce units in 2022. A slight "overbuilt" scenario might develop in 2023, however, "pent-up" demand carried over from a lower level of new unit deliveries in 2022 will help to mitigate a drop in occupancy during that time. At the present time, none of the planned projects are located within the South-Central Waterfront Planning Area.

Table (21)

Proposed Project Timing

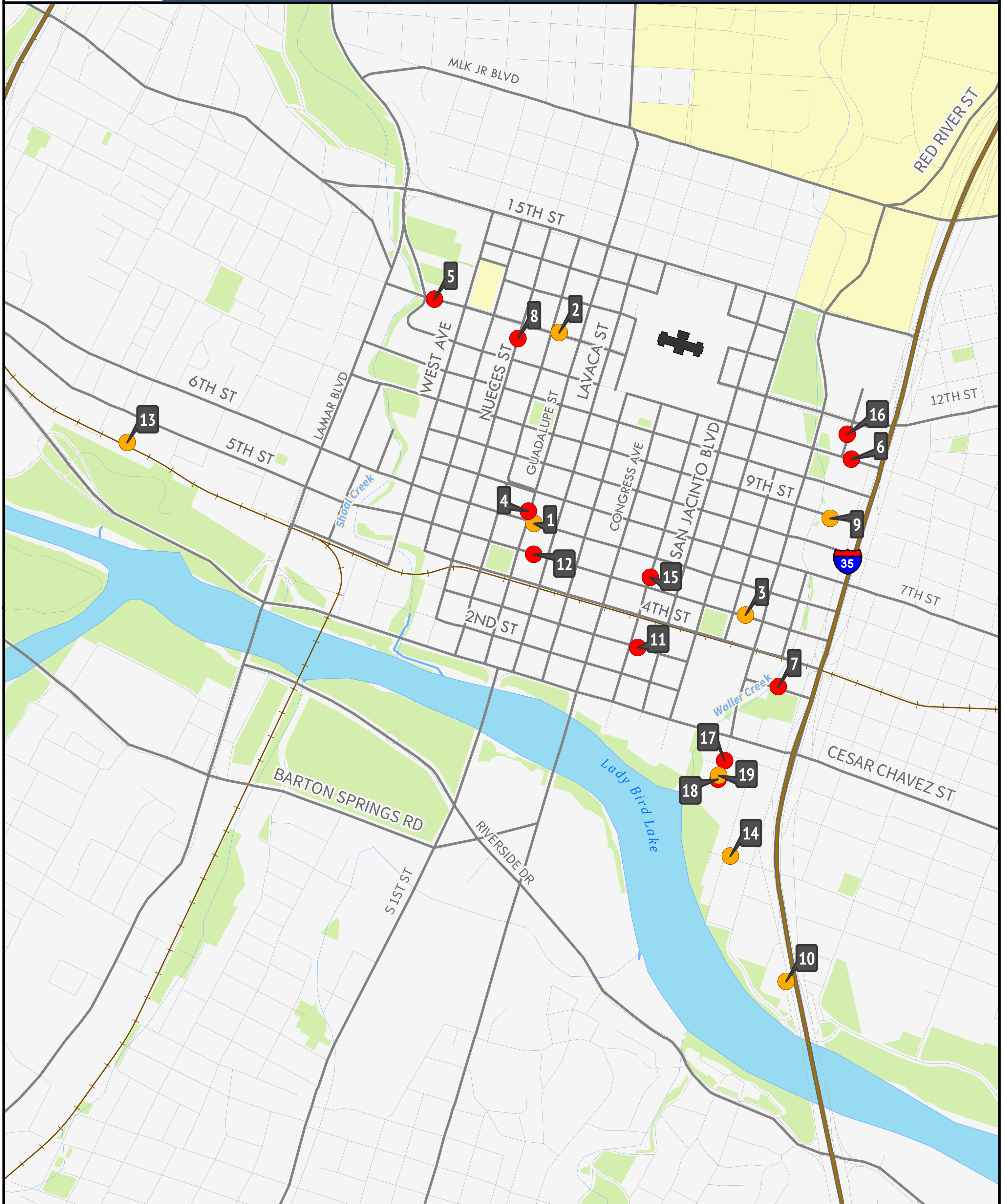
Downtown Austin

Map No.	Project Name	First Unit Delivery	Units Planned	*2021*	*2022*	*2023*	*2024*	*2025*	*Future*
1	321 W. 6th St	*Mar-24*	385	...	...	...	385	...	...
2	416 West 12th Street	*tbd*	280	...	...	...	...	...	280
3	504 East Fifth	*tbd*	250	...	...	...	...	...	250
4	6X Guadalupe	Jun-23	349	...	...	349	...	...	...
5	827 W. 12th Street	Jul-22	147	...	147	...	...	...	...
6	Alexan Waterloo	Oct-21	274	130	144	...	...	...	...
7	Block 36	Jul-21	257	257	...	...	...	...	...
8	Capital Quarters	Jan-22	90	...	90	...	...	...	...
9	East 9th Street	*tbd*	144	...	...	...	...	...	144
10	East Avenue Apts	*tbd*	185	...	...	...	...	...	185
11	Hanover Brazos Street	Aug-23	308	...	...	308	...	...	...
12	Hanover Republic Square	May-22	310	...	310	...	...	...	...
13	Pressler Apartments	tbd	326	...	...	...	...	...	326
14	River & Rainey	Mar-24	390	...	...	...	390	...	...
15	Sienna at The Thomson	Aug-21	331	331	...	...	...	...	...
16	Symphony Square	Aug-23	388	...	...	388	...	...	...
17	The Quincy	Jul-21	347	347	...	...	...	...	...
18	The Travis	Nov-23	431	...	...	431	...	...	...
19	Waller Creek Tower	*tbd*	332	...	...	...	...	...	332
		Total New Units:	5,524	1,065	691	1,476	775	0	1,517
		Multi-Family Demand:		615	666	720	776	835	
		Annual Excess (shortage) of Demand:		(450)	(25)	(756)	1	835	

Source: Review of city plats, developer interviews, August 2021 compsite_apt_cbd.xls

CAPITOL MARKET RESEARCH

Downtown Austin:
Multi-Family Sites in Development



N
0 0.15 0.3 Miles

Planned Under Construction

Date: September 2021

Path: C:\GIS\Projects\2021\SC Waterfront\planned_apt.mxd

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 Austin. 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 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 multi-family 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 (22) on the following page.

Table (22)

Planned Multi-Family Development

Annual Apartment Unit Absorption Potential

Date	CBD Absorption Potential	CBD New Completions	South Central Waterfront				
			Propotional Market Share	Competitive Market Share	Blended Share	SCW Absorption Potential	Cummulative Absorption Potential
2021	615	1,065	18.4%	18.4%	18.4%	113	113
2022	666	691	18.4%	18.7%	18.6%	124	237
2023	720	1,476	18.4%	19.1%	18.7%	135	372
2024	776	775	18.4%	19.4%	18.9%	147	518
2025	835	0	18.4%	19.7%	19.1%	159	677
2026	896	900	18.4%	20.1%	19.2%	172	849
2027	958	960	18.4%	20.4%	19.4%	186	1,035
2028	1,024	1,020	18.4%	20.7%	19.6%	200	1,235
2029	1,092	1,090	18.4%	21.0%	19.7%	215	1,451
2030	1,163	1,160	18.4%	21.4%	19.9%	231	1,682
2031	1,235	1,230	18.4%	21.7%	20.1%	248	1,930
2032	1,309	1,310	18.4%	22.0%	20.2%	265	2,194
2033	1,385	1,390	18.4%	22.4%	20.4%	282	2,476
2034	1,461	1,460	18.4%	22.7%	20.5%	300	2,777
2035	1,540	1,540	18.4%	23.0%	20.7%	319	3,096
2036	1,623	1,620	18.4%	23.4%	20.9%	339	3,434
2037	1,708	1,710	18.4%	23.7%	21.0%	359	3,794
2038	1,796	1,800	18.4%	24.0%	21.2%	381	4,175
2039	1,885	1,880	18.4%	24.3%	21.4%	403	4,577
2040	1,977	1,980	18.4%	25.0%	21.7%	429	5,007
Total	24,663	25,057			20.3%	5,007	

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

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

compsite_apt_cbdnsc.xls

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
2021	48	48	0	0	48
2022	53	101	0	0	101
2023	59	160	0	0	160
2024	64	224	60	60	164
2025	70	295	70	130	165
2026	77	371	80	210	161
2027	83	455	80	290	165
2028	91	545	90	380	165
2029	98	643	100	480	163
2030	106	750	110	590	160
2031	115	864	110	700	164
2032	123	987	120	820	167
2033	132	1,120	130	950	170
2034	142	1,262	140	1,090	172
2035	152	1,413	150	1,240	173
2036	162	1,575	160	1,400	175
2037	173	1,748	170	1,570	178
2038	185	1,933	180	1,750	183
2039	196	2,129	200	1,950	179
2040	212	2,341	210	2,160	181
Total	2,341		2,160		

Source: Capitol Market Research, September 2021 compsite_apt_cbd.xls

New Units added for 2021 -2023 from table (19): 2024 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 $750 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, central city 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 central city 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 (70 Rainey and The Independent). 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 (2011-2020) within a narrow range between 9% and 12%, with an average of 10.55%. Recently, at the end of June 2021, attached housing sales have increased dramatically to 14.97% of all housing sales in the Austin MSA. As the average price for single family homes continues to increase (now $598,000) the condominium percentage is likely to continue to increase over the next few years, as more affordable 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 $168,652 in 2005 to $210,602 in 2007. In 2009, the average price dropped to $176,026 but it has continued to rise since then, reaching $382,402 at the end of 2020. At the end of June 2021, the average sale price of existing attached housing in the Austin MSA has soared almost $100,000 to $480,137, and $351 per square foot.

Table (24)

Austin MSA Attached Housing Sales

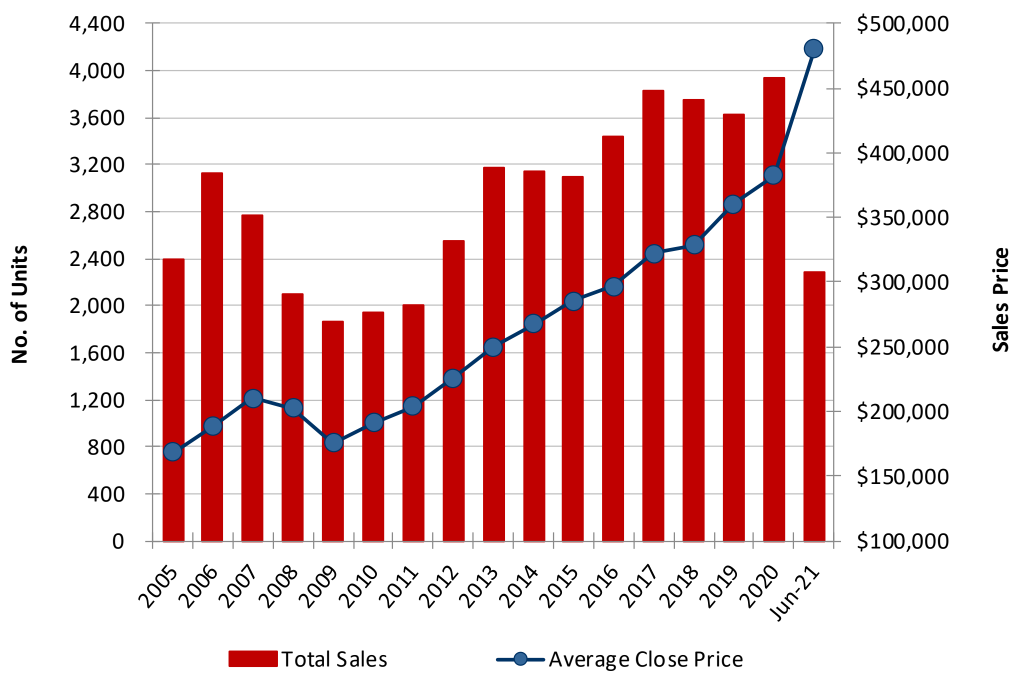
December 2005 - June 2021

Year	Total Sales	Average Close Price	Average Sq.Ft.	Average $/Sq.Ft.	Average DOM
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
2018	3,747	$328,783	1,336	$246	50
2019	3,625	$360,384	1,348	$267	50
2020	3,929	$382,402	1,408	$272	47
Jun-21	2,291	$480,137	1,368	$351	34

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

Prepared by Capitol Market Research, June 2021

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 a growing segment of the new home market in Austin. A recent (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

As demonstrated in the previous section, population growth in Austin and other rapidly growing U.S. cities is almost always attributable to the immigration of people from other areas, often because of job opportunities. However, due to the recent COVID-19 global pandemic, population growth based on in-migration has been severely reduced.

Although CMR has utilized job growth rates during times of high employment growth (Shown previously in Table (1)) to forecast short-term population growth, for this forecast CMR has chosen to use population estimates which are based on the most recently completed forecast available from the Texas State Data Center at Texas A&M University. This forecast has been modified to reflect the slower job growth and lower in-migration anticipated for 2020 as a result of the COVID-19 impact.

Combining population growth with average household size (US Census 2010), CMR has estimated that the Austin-Round Rock MSA will grow by an annual average of 26,793 households per year from 2021 through 2040, yielding an average yearly demand for 1,649 attached housing units.

Table (26)

Attached Housing Demand

Austin-Round Rock MSA

Year	New Households	Percent Owner	New Owner Households	Attached Housing Demand
2021	22,076	58.5%	12,912	1,358
2022	22,423	58.5%	13,115	1,380
2023	22,852	58.5%	13,366	1,406
2024	23,283	58.5%	13,618	1,433
2025	23,781	58.5%	13,910	1,463
2026	24,264	58.5%	14,192	1,493
2027	24,746	58.5%	14,474	1,523
2028	25,283	58.5%	14,788	1,556
2029	25,840	58.5%	15,114	1,590
2030	26,399	58.5%	15,440	1,624
2031	26,956	58.5%	15,766	1,659
2032	27,515	58.5%	16,093	1,693
2033	28,072	58.5%	16,419	1,727
2034	28,590	58.5%	16,722	1,759
2035	29,141	58.5%	17,044	1,793
2036	29,726	58.5%	17,386	1,829
2037	30,319	58.5%	17,734	1,866
2038	30,934	58.5%	18,093	1,903
2039	31,518	58.5%	18,435	1,939
2040	32,145	58.5%	18,802	1,978

empgro_Austin_2021.xls

Source: MSA Household Forecast from Texas State Data Center

Note: Household size (2.58) and Percent Owner (58.5%) based on 2010 Census
Attached Housing demand based on % of total MLS Sales
in the MSA from 2010 through 2020 (10.52%)

Market Area MLS Attached Housing Sales

Within the Downtown Austin 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 and condos in the market area peaked at 465 in 2013 and finished 2014 with 371 sales. Recently, the pace of sales has been relatively stable, averaging 374 sales from 2015 through the end of 2018. 2019 saw 374 attached housing sales in the market area. From 2005 through 2021, attached housing sales have made up 83.13% of all single-family MLS sales in the market area, although this percentage has continued to rise from 72.6% in 2006 to a high in 2015 of 87.8%. The current (2021) has risen to 90.36% from 83.13% in 2020.

Average unit prices increased between 2005 and 2007, when it reached $326,299, or $287 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 10.93% per year from 2010 through 2013. Since then, the trend for higher unit prices has continued, rising between 2013 and 2014 at a rate of 14.58%, closing 2014 with an average price of $519,659. In 2015, the average sales price continued to climb, reaching $534,924, or $495 per square foot. Through the end of 2016, the average sales price declined slightly to $516,707 ($485 per square foot), and then jumped 20.3% in 2017 to reach $621,344. Through June 2021, the 356 attached housing sales have averaged a market area high of $895,611.

The average unit size fell from 1,258 square feet in 2005 to 1,050 square feet in 2008, as newer construction tended toward higher density. The average attached housing size has stayed relatively consistent from 2008 through 2021, averaging 1,137 square feet. ***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)

Downtown Austin Attached Housing Sales

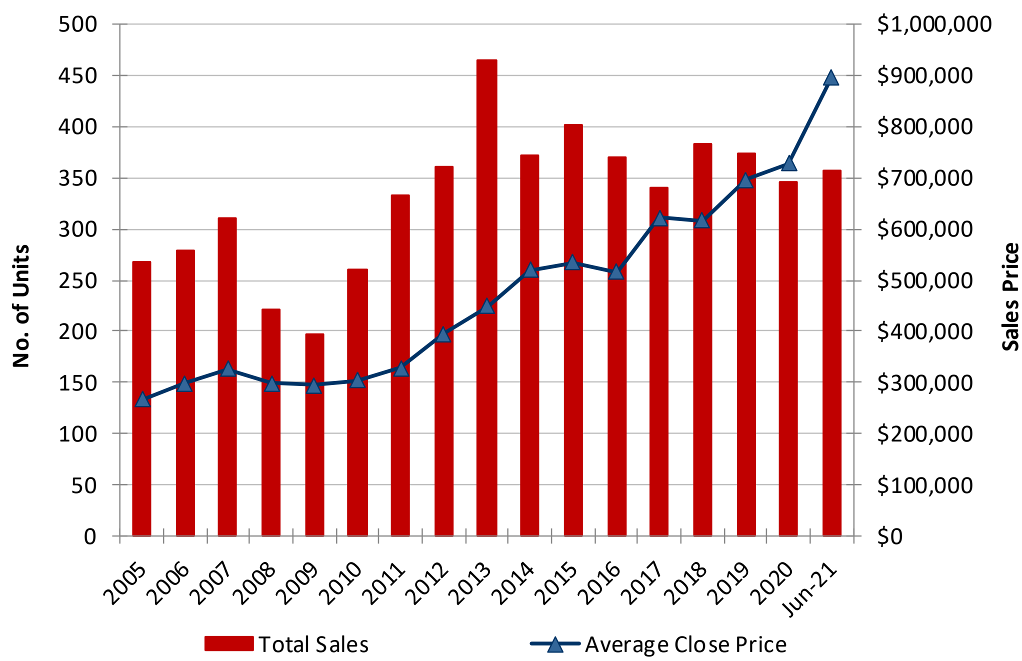
December 2005 - June 2021

Year	Total Sales	Average Close Price	Average Sq.Ft.	Average $/Sq.Ft.	Average DOM
2005	267	$266,628	1,258	$212	66
2006	279	$299,079	1,201	$249	52
2007	311	$326,299	1,136	$287	58
2008	222	$299,247	1,050	$285	82
2009	197	$295,043	1,054	$280	83
2010	260	$304,237	1,114	$273	95
2011	333	$328,851	1,097	$300	85
2012	360	$395,866	1,172	$338	64
2013	465	$449,243	1,142	$393	42
2014	371	$519,659	1,133	$459	40
2015	401	$534,924	1,081	$495	44
2016	370	$516,707	1,066	$485	55
2017	341	$621,344	1,164	$534	69
2018	382	$616,785	1,128	$547	67
2019	374	$695,982	1,211	$575	73
2020	345	$727,477	1,177	$618	71
Jun-21	356	$895,611	1,326	$675	66

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

Prepared by Capitol Market Research, June 2021

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



Market Area New Attached Housing Market Trends

Overview

In June 2021, Capitol Market Research surveyed the seven recently completed condominium projects that have been marketing and writing contracts for purchase in the Downtown Austin market area over the last three years. Taken together, these projects contain a total of 1,157 units. There are nine completed units at 70 Rainey that have not yet been “released” for sale due to an affordable housing restriction. Among the seven completed projects, only two are considered currently “active”, with units available for purchase from the developer. There is one penthouse unit left at The Proper and eight units remaining to be sold at the Tyndall. As of June 28, 2021, 1,139 of the total units are currently under contract or sold (98.4%). The weighted average unit price (based on their initial marketing data) among these seven projects is $1,062,314 for 1,465 sq. ft. which equates to $725 per square foot. The absorption rate among these projects varies, with an average rate of 2.30 units a month. The Independent, at 5.01 units per month, has dominated the market due to its size and well executed marketing campaign.

Completed Projects

Five of the surveyed projects are now completed and “sold out”, with the developer having sold all of the units in their project. When CMR last conducted this survey, in November 2020, only 5th and West had completed and sold all their units. Since then, 85 units were closed and four more projects completed their initial sales campaign.

Active Projects

Currently there remain only two “active” projects in the market area, where the original developer is still selling units in a completed project. As noted above, The Proper has only one unit left to sell while The Tyndall has a wider variety of units available, but a disproportionate number of two-bedroom units remain unsold.

Projects Under Construction

Currently there are only two new projects under construction, “44 East Avenue”, a 51-story point tower under development by Intracorp in the Rainey Street district, The Loren, a 24-unit project under development by Sardis Development, in conjunction with The Loren Boutique Hotel on the south side of Lady Bird Lake. According to Intracorp, 81.8% of the units are currently under contract. Moreland Property reports that 21 of The Loren units are under contract. The Linden, is preselling units, and the demolition of the existing small office building on the site is underway. Their sales team has 35 contracts with earnest money in escrow.

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 projects with units for sale in the market area was 2.45 units per month. The highest rate of absorption among these projects was at The Independent (5.01 units per month), followed by The Linden (4.02 units/month), and 5th and The Tyndall (3.10 units per month). The units in larger projects generally sell at a faster pace, possibly due to the presence of a dedicated marketing staff, a generous marketing budget, and extensive experience in the presales and marketing of condominiums, which is especially apparent at The Independent, which has achieved the highest pace of sales from their initial marketing date (5.01 units per month), due to their extensive marketing and well executed sales campaign.

Table (28)

Downtown Market Area Competitive Inventory

Projects With Units For Sale from the Developer

Completed Projects with Developer Inventory

Map No.	Project	Year	Total # Units	# Units Complete	Contracts or Closed Sales	% of Total	Date of Initial Marketing	Absorption Rate / Month	Average Price	Price Range	Average Unit Size	Price Per Sq.Ft.
1	70 Rainey*	*2019*	173	164	164	100.0%	Oct-15	2.44	$1,127,688	$840 - $1,399	1,373	$821
2	1010 W. 10th	*2017*	14	14	14	100.0%	Aug-16	0.28	$1,057,350	$793 - $1,500	1,995	$530
3	Austin Proper	*2019*	98	98	97	99.0%	Nov-15	1.44	$1,738,214	$825 - $8,000	1,982	$877
4	5th & West	*2018*	154	154	154	100.0%	Oct-14	2.78	$1,315,000	$424 - $2,750	1,755	$749
5	The Austonian	*2010*	173	173	173	100.0%	May-07	1.03	$1,150,820	$559 - $8,000	1,839	$626
6	The Independent	*2019*	363	363	363	100.0%	Apr-15	5.01	$978,000	$400 - $3,000	1,304	$750
7	The Tyndall	*2018*	182	182	174	95.6%	Oct-16	3.10	$506,834	$274 - $1,650	952	$532
	Totals/Average		**1,157**	**1,148**	**1,139**	**98.4%**		**2.30**	**$1,062,314**		**1,465**	**$725**

Source: *Capitol Market Research Broker and Developer Interviews, June 2021* competitive_condos_june2021.xls

Note: *The average price and price ranges reflect the pricing when the units were first brought to market.*
In most cases the pricing for the remaining inventory is higher.
Absorption rates calculated based on 11/14/2020 with the exception of 5th & West which sold out in June 2019.
** 70 Rainey has sold all their market rate units. The 9 affordable units are not yet available for purchase.*

Under Construction or Planned Projects with "Pre-Sale Contracts"

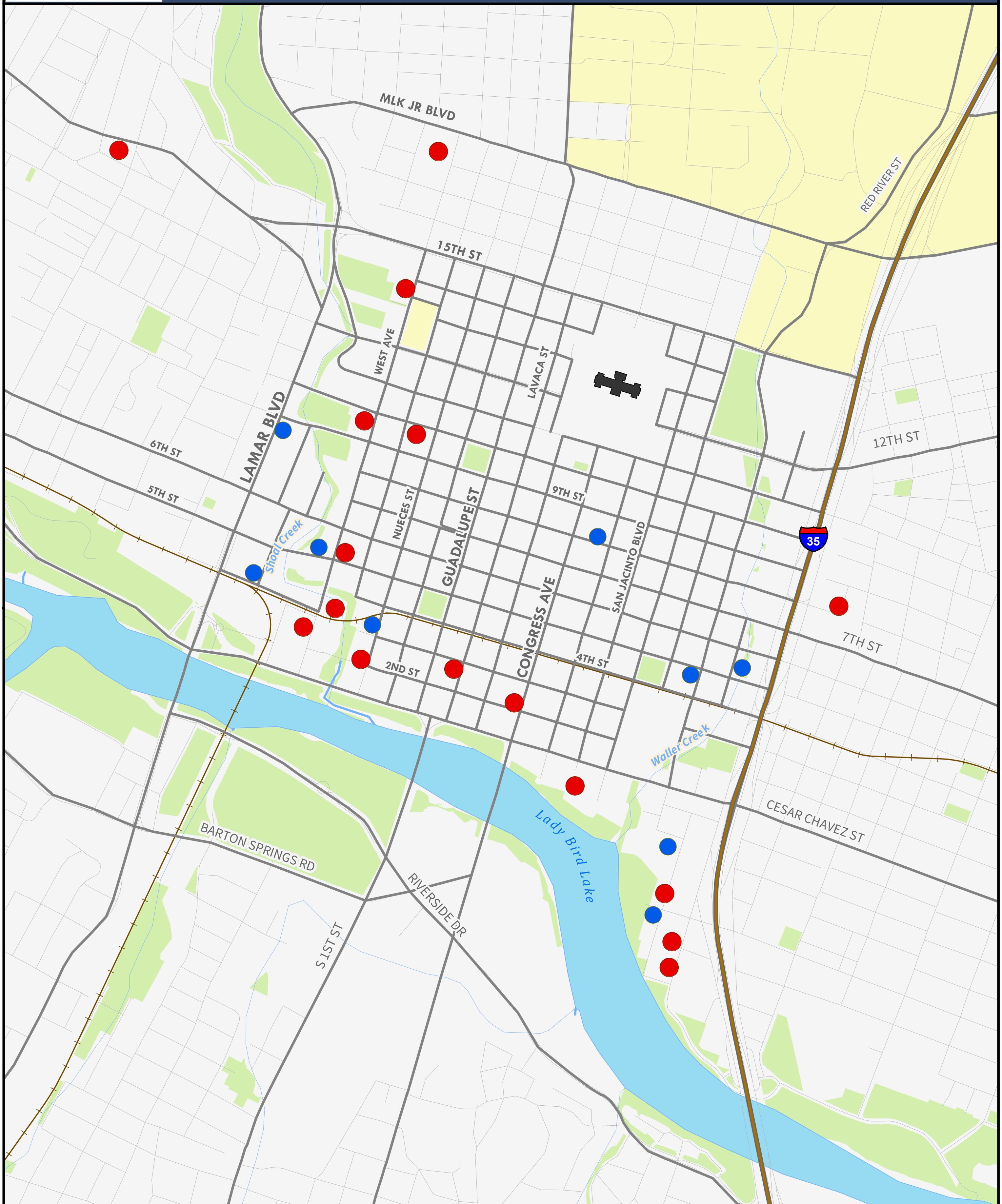
Map No.	Project	Year	Total # Units	# Units Complete	Pre-sale Contracts	% of Total	Date of Initial Marketing	Absorption Rate / Month	Average Price	Price Range	Average Unit Size	Price Per Sq.Ft.
8	44 East Avenue*	*2022*	309	0	269	87.1%	Oct-14	3.33	$997,000	$375 - $2,800	1,155	$863
9	The Linden	*2023*	117	0	35	29.9%	Oct-20	4.02	$1,037,138	$650 - $3,825	1,282	$809
10	The Loren	*2022*	24	0	21	87.5%	Nov-19	1.06	$2,645,242	$1,110 - $6,150	2,462	$1,074
			450	**0**	**325**	**72.2%**		**3.39**	**$1,095,342**		**1,258**	**$871**

** 44 East Avenue has 13 affordable units and 296 market rate units*

CAPITOL MARKET RESEARCH

Downtown Austin:

Existing Condominiums



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N

0 0.15 0.3 Miles

2010 or Newer

2009 or Older

Market Area New Attached Housing Unit Sales

While it is very important to assess the market strength by evaluating the number of units sold or 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 June 2021, there have been 3,260 new condominium units sold and closed in completed projects in Downtown Austin. Based on the closing data, the average monthly absorption over this 17.5-year period (210 months) is 15.52 units. The highest rate of absorption was achieved in 2019 with 681 units closed (56.75 units per month, on average). According to the TCAD data, there are 57 units remaining in inventory in four completed projects. However, TCAD recorded deed transfers lag the actual closings due to delays in submissions and recordings, particularly when there are numerous transactions in a limited time period. According to the developer survey results shown in table (13) there are only 9 units that remain unsold, and most of them are located at The Tyndall (8).

While preparing the data for this report, CMR research revealed a very interesting correlation between the number of units delivered and units sold on an annual basis. This data is shown graphically on the chart below, which plots units delivered with units sold. In every year when a large number of units are completed, the number of closings also surge in response. As noted above, in 2019 there were 681-unit sales recorded and a record high number of completions at 764.

Table (29)

New Condominium Original Developer Sales: Based on Recorded Deed Transfer

Downtown Austin: January 2004 - June 2021

Project	YOC	Total Units	Date of First Closing	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	Remaining Inventory
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
5th & West	*2018*	154	Feb-18	...	...	...	...	...	...	...	...	...	...	...	...	...	...	8	146	...	...	0
70 Rainey	*2018*	173	Apr-19	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	112	37	13	11
904 West	*2010*	26	Nov-10	...	...	...	...	...	...	4	15	3	4	...	...	...	...	...	...	...	...	0
Austin City Lofts	*2004*	82	Jan-04	65	14	3	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	0
Austin Proper	*2019*	99	Jan-20	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	76	8	15
Brazos Place	*2006*	80	Jan-00	...	...	...	35	21	24	...	...	...	...	...	...	...	...	...	...	...	...	0
Celia's Court	*2017*	24	May-17	...	...	...	...	...	...	...	...	...	...	...	...	...	24	...	...	...	...	0
Four Seasons	*2010*	148	May-10	...	...	...	...	...	...	53	32	42	21	...	...	...	...	...	...	...	...	0
Park West	*2012*	45	Sep-12	...	...	...	...	...	...	...	...	9	27	8	1	...	...	...	...	...	...	0
Pease Place	*2012*	25	Dec-12	...	...	...	...	...	...	...	...	1	22	2	...	...	...	...	...	...	...	0
W Residences	*2011*	159	Dec-11	...	...	...	...	...	...	...	78	39	33	8	1	...	...	...	...	...	...	0
Sabine on Fifth	*2007*	80	Dec-07	...	...	...	2	34	...	41	3	...	...	...	...	...	...	...	...	...	...	0
Seaholm	*2016*	280	Mar-16	...	...	...	...	...	...	...	...	...	...	...	...	280	...	...	...	...	...	0
The Austonian	*2010*	168	Mar-10	...	...	...	...	...	...	40	27	31	21	18	9	6	4	7	2	2	1	0
The Independent	*2018*	370	Jan-19	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	357	8	4	1
The Milago	*2006*	240	Jun-06	...	...	221	19	...	...	...	...	...	...	...	...	...	...	...	...	...	...	0
The Shore	*2008*	192	Apr-08	...	...	...	...	109	74	9	...	...	...	...	...	...	...	...	...	...	...	0
The Spring	*2009*	249	Aug-09	...	...	...	...	...	86	71	68	14	10	...	...	...	...	...	...	...	...	0
The Tyndall	*2018*	182	Dec-18	...	...	...	...	...	...	...	...	...	...	...	...	...	...	57	64	18	13	30
Annual Units Closed:				**65**	**25**	**299**	**68**	**445**	**333**	**218**	**223**	**139**	**138**	**36**	**11**	**286**	**30**	**83**	**681**	**141**	**39**	**57**
Annual Unit Additions:				**82**	**98**	**320**	**80**	**622**	**249**	**342**	**159**	**70**	**0**	**0**	**0**	**280**	**37**	**214**	**764**	**0**	**0**	

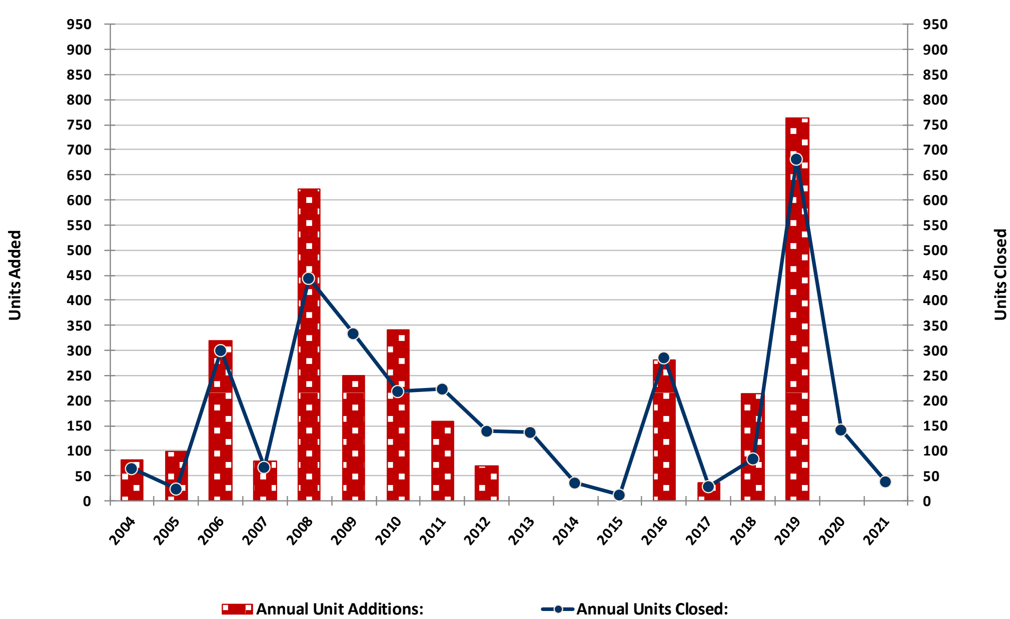
Prepared by Capitol Market Research, June 2021

condo sales by year.xls

Note: Not all closings have been recorded in TCAD. 70 Rainey, Austin Proper and The Independent are 100% sold.

New Condominium Original Developer Sales: Based on Recorded Deed Transfer

Downtown Austin: January 2004 - June 2021



Market Area Condominium Demand

The South-Central Waterfront location will likely draw buyers from within and outside of the Downtown Austin market area in addition to second home buyers from outside of the Austin market. Notwithstanding the appeal to out-of-town buyers, the condominium demand forecast was derived for the Downtown Austin market area, using the household forecast (Table (9)) 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 virtually all new housing being built in the Downtown Austin 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 Downtown Austin market area demand forecast yields an average annual demand of 642 condominium units from 2021 through 2040, shown on Table (30) below.

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 downtown residents.

Table (30)

Attached Housing Unit Demand

Downtown Austin

Year	HH Increase	MARKET AREA FORECAST			
		% Owner	New Owner HH	% Attached	Attached Housing Demand
2021	901	31.97%	288	100.0%	288
2022	978	32.17%	315	100.0%	315
2023	1,061	32.37%	344	100.0%	344
2024	1,147	32.57%	374	100.0%	374
2025	1,238	32.77%	406	100.0%	406
2026	1,332	32.98%	439	100.0%	439
2027	1,429	33.18%	474	100.0%	474
2028	1,532	33.38%	511	100.0%	511
2029	1,639	33.58%	551	100.0%	551
2030	1,750	33.78%	591	100.0%	591
2031	1,865	33.98%	634	100.0%	634
2032	1,983	34.19%	678	100.0%	678
2033	2,105	34.39%	724	100.0%	724
2034	2,227	34.59%	770	100.0%	770
2035	2,355	34.79%	819	100.0%	819
2036	2,489	34.99%	871	100.0%	871
2037	2,628	35.19%	925	100.0%	925
2038	2,772	35.40%	981	100.0%	981
2039	2,917	35.60%	1,039	100.0%	1,039
2040	3,070	35.80%	1,099	100.0%	1,099

Prepared by: Capitol Market Research, 2021 demcalc.xls

Notes: New PMA Households based on Table (9). Percent owner based on ACS 2015-2019 Survey. Percent attached housing based on new building permits issued in the area over the last 10 years.

Market Area Planned Condominium Projects

In order to accurately forecast the absorption rate for the condominiums planned for the South-Central Waterfront, it is necessary to identify the other projects in the market area that are currently under construction or 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 Downtown Austin 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 be under construction or 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 proposed project timing in Table (32) shows the number of units under construction and planned for condominium development within the market area, and presents this information by unit deliveries by year, to provide a complete picture of the potential additions to the market area.

Table (31)

Condominium Projects in Development

Downtown Austin

Map No	Project Name	Location	Planned Units	Developer	Status
	Under Construction				
1	44 East	44 East Avenue	323	Intracorp Homes	Construction
2	Natiivo	48 East Avenue	239	Pearlstone Partners	Construction
3	The Colorfield	1006 Baylor Streeet	10	Cumby Properties	Construction
4	The Linden	1615 Guadalupe Street	117	Reger Holdings	Construction
5	The Loren	1211 West Riverside	24	Sardis Development	Construction
6	Vesper	84 N IH-35 SVRD SB	284	Pearlstone Partners	Construction
	Under Construction Subtotal		997		
	Planned				
7	2nd & Trinity	307 E. Second Street	160	Intracorp Homes	Submitted
8	90 Rainey	90 Rainey Street	368	Urban Space Realtors	Submitted
	Planned Subtotal		528		
	Total Units		1,525		

Source: Capitol Market Research, August 2021 compsite_condo.xls

It should be noted that Natiivo is a condominium hotel and available for investment purchase only

Table (32)

Condominium Project Timing

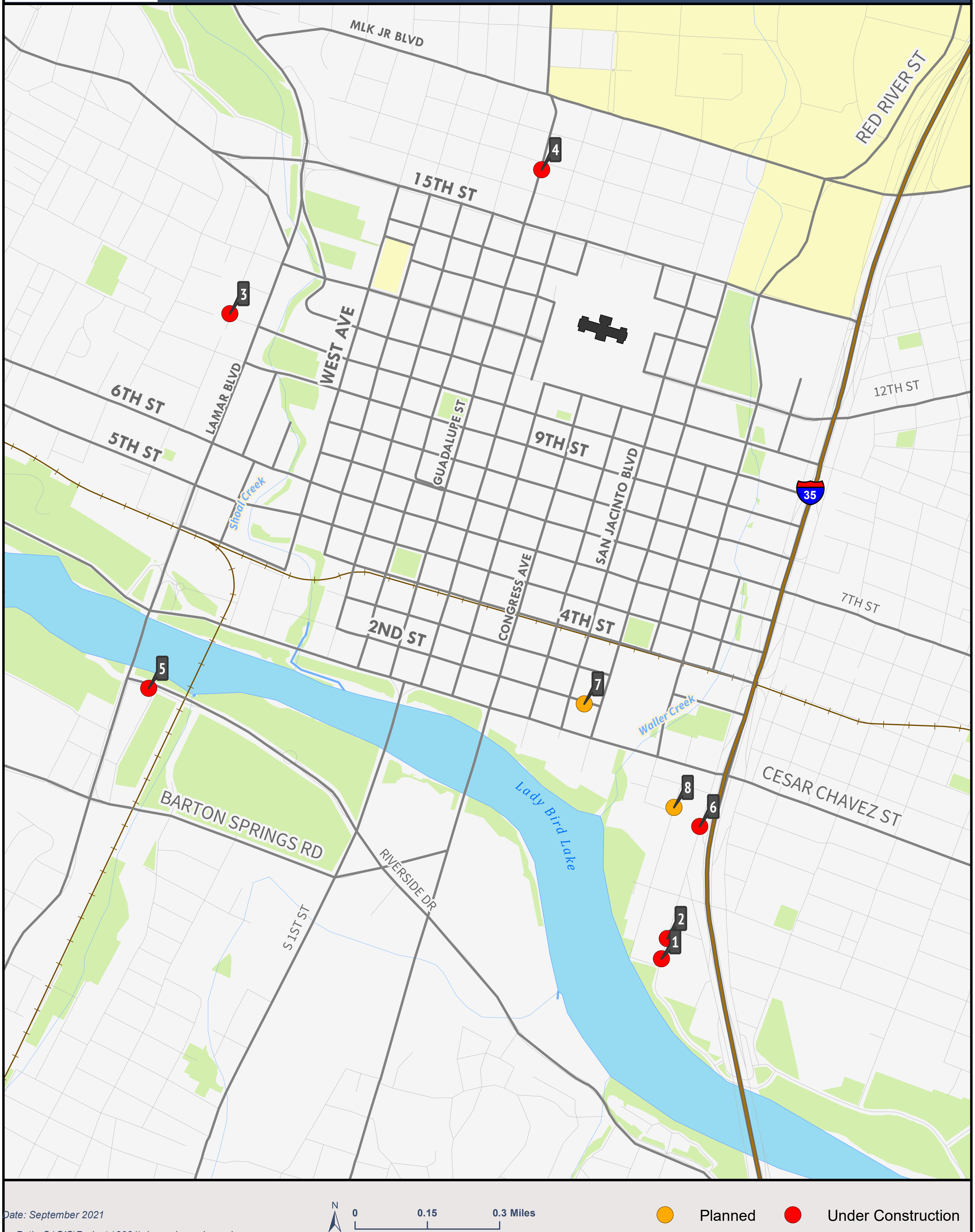
Downtown Austin

Map No.	Project Name	Delivery Date	Planned Units	*2021*	*2022*	*2023*	*2024*	*2025*	*Future*
	Under Construction								
1	44 East	Jul-22	323	...	323	...	...	...	...
2	Natiivo	Nov-21	239	239	...	...	...	...	...
3	The Colorfield	Oct-22	10	...	10	...	...	...	...
4	The Linden	Jun-23	117	...	...	117	...	...	...
5	The Loren	Jul-22	24	...	24	...	...	...	...
6	Vesper	Sep-24	284	...	...	...	284	...	...
	Under Construction Subtotal		997	239	357	117	0	0	0
	Planned								
7	2nd & Trinity	tbd	160	...	...	...	...	...	160
8	90 Rainey	Aug-24	368	...	...	...	368	...	...
	Planned Subtotal		528	0	0	0	368	0	160
	Total Units Added			239	357	117	368	0	

Source: Capitol Market Research, July 2021 compsite_condo_dt_2021.xls

It should be noted that Natiivo is a condominium hotel and available for investment purchase only

Austin CBD:
Condominium Projects in Development



Date: September 2021

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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 Austin. 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 Absorption Potential	CBD New Completions	South Central Waterfront				
			Propotional Market Share	Competitive Market Share	Blended Share	SCW Absorption Potential	Cummulative Demand
2021	288	239	18.4%	18.4%	18.4%	53	53
2022	315	357	18.4%	18.7%	18.6%	58	111
2023	344	117	18.4%	19.1%	18.7%	64	176
2024	374	368	18.4%	19.4%	18.9%	71	246
2025	406	410	18.4%	19.7%	19.1%	77	324
2026	439	440	18.4%	20.1%	19.2%	84	408
2027	474	470	18.4%	20.4%	19.4%	92	500
2028	511	510	18.4%	20.7%	19.6%	100	600
2029	551	550	18.4%	21.0%	19.7%	109	709
2030	591	590	18.4%	21.4%	19.9%	118	826
2031	634	630	18.4%	21.7%	20.1%	127	953
2032	678	680	18.4%	22.0%	20.2%	137	1,090
2033	724	720	18.4%	22.4%	20.4%	147	1,238
2034	770	770	18.4%	22.7%	20.5%	158	1,396
2035	819	820	18.4%	23.0%	20.7%	170	1,566
2036	871	870	18.4%	23.4%	20.9%	182	1,748
2037	925	920	18.4%	23.7%	21.0%	195	1,942
2038	981	980	18.4%	24.0%	21.2%	208	2,150
2039	1,039	1,040	18.4%	24.3%	21.4%	222	2,372
2040	1,099	1,100	18.4%	25.0%	21.7%	239	2,611
Total	12,832	12,581			20.3%	2,611	

Source: Absorption forecast from Table (28) compsite_condo_dt_2021.xls
Planned unit completions from Table (30) through 2023,
then unit completions are assumed to roughly equal the absorption potential

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
2021	53	53	0	0	53
2022	58	111	0	0	111
2023	64	176	0	0	176
2024	71	246	70	70	176
2025	77	324	80	150	174
2026	84	408	80	230	178
2027	92	500	90	320	180
2028	100	600	100	420	180
2029	109	709	110	530	179
2030	118	826	120	650	176
2031	127	953	130	780	173
2032	137	1,090	140	920	170
2033	147	1,238	150	1,070	168
2034	158	1,396	160	1,230	166
2035	170	1,566	170	1,400	166
2036	182	1,748	180	1,580	168
2037	195	1,942	190	1,770	172
2038	208	2,150	210	1,980	170
2039	222	2,372	220	2,200	172
2040	239	2,611	240	2,440	171
Total	2,611		2,440		

Capitol Market Research, September 2021 compsite_condo_dt_2021.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 2021 taxable value of $824,856,590. The forecasts were prepared by first estimating the absorption potential in the broader Downtown 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 the potential 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
Downtown 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
2021	271,663	0	0
2022	0	0	0
2023	124,657	0	0
2024	89,381	150	70
2025	65,033	160	80
2026	69,957	170	80
2027	75,734	190	90
2028	78,078	200	100
2029	83,643	220	110
2030	85,581	230	120
2031	92,463	250	130
2032	96,729	260	140
2033	101,180	280	150
2034	105,616	300	160
2035	110,352	320	170
2036	115,073	340	180
2037	119,884	360	190
2038	124,901	380	210
2039	130,014	400	220
2040	135,346	430	240
Total	2,075,285	4,640	2,440

Source: Capitol Market Research, September 2021 Development 9.17.21

Summary of Absorption estimates from previous sections

The next step required to prepare the TIF value forecasts is to calculate an average value per square foot for each product category. Capitol Market Research reviewed all taxable property records for the CBD and selected individual properties within each land use category. The properties selected are a sample of newer buildings completed and "stabilized" since 2010. A minimum of five properties were selected for each land use category. The Taxable value from 2020 was used because these are values as of January 1, 2020, prior to any diminution in value due to the effects of the COVID pandemic. Each product type and the estimated average value per square foot and unit is shown below in Table (37).

Table (37)

Average Building Value by Type

Downtown Austin

Land Use Category	Taxable Value	Square Footage	Value Per Sq.Ft.	Number of Units	Value per Unit
Office Tower	$1,172,927,038	$1,947,787	$602.18	n.a.	n.a.
Office Mid-Rise	$317,110,300	$636,643	$498.10	n.a.	n.a.
MF Tower	$1,045,800,000	$2,093,788	$499.48	2,153	$485,741
MF Mid-Rise	$322,736,204	$956,767	$337.32	1,031	$313,032
Condo Tower	$1,815,456,600	$2,901,079	$625.79	2,254	$805,438
Hotel	$256,262,600	$742,491	$345.14	1,166	$219,779

Source: Travis Central Appraisal District 2020 Taxable Values

New Downtown Buildings (2010 +)

Selected and compiled by Capitol Market Research, September 2021

development summary.xls

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 2.5% annual rate of inflation, the South-Central Waterfront taxable value is projected to be $8,075,552,478 in 2040. This is an increment in taxable value of $7,250,695,888 over the 2021 base year.

Table (38)

Projected Taxable Values 2021 - 2040

South Central Waterfront

Year	COA Taxable Value (January 1)	Planned Development Value	COA Taxable Value (December 31)	Inflated Value at (2.5%)
2021	$824,856,590	$163,591,233	$988,447,823	$1,013,159,019
2022	$1,013,159,019	$0	$1,013,159,019	$1,038,487,995
2023	$1,038,487,995	$75,066,666	$1,113,554,661	$1,141,393,528
2024	$1,141,393,528	$183,065,552	$1,324,459,080	$1,357,570,557
2025	$1,357,570,557	$181,315,554	$1,538,886,110	$1,577,358,263
2026	$1,577,358,263	$189,138,035	$1,766,496,298	$1,810,658,706
2027	$1,810,658,706	$210,385,781	$2,021,044,487	$2,071,570,599
2028	$2,071,570,599	$224,709,111	$2,296,279,710	$2,353,686,702
2029	$2,353,686,702	$245,829,376	$2,599,516,079	$2,664,503,981
2030	$2,664,503,981	$259,908,349	$2,924,412,330	$2,997,522,638
2031	$2,997,522,638	$281,822,027	$3,279,344,665	$3,361,328,282
2032	$3,361,328,282	$297,302,487	$3,658,630,769	$3,750,096,538
2033	$3,750,096,538	$317,752,283	$4,067,848,821	$4,169,545,041
2034	$4,169,545,041	$338,192,843	$4,507,737,884	$4,620,431,331
2035	$4,620,431,331	$358,814,019	$4,979,245,350	$5,103,726,484
2036	$5,103,726,484	$379,425,959	$5,483,152,442	$5,620,231,253
2037	$5,620,231,253	$400,091,947	$6,020,323,200	$6,170,831,280
2038	$6,170,831,280	$428,936,851	$6,599,768,131	$6,764,762,334
2039	$6,764,762,334	$449,785,029	$7,214,547,363	$7,394,911,047
2040	$7,394,911,047	$483,676,737	$7,878,587,784	$8,075,552,478
Total		$5,468,809,838		

Source: Capitol Market Research, September 2021

Development Summary

Development Without Plan implementation

The South-Central Waterfront Framework Plan provides a comprehensive design of the public realm that provides the foundational components that create a District identity for the area. This identity envisions a lively, attractive and connected pedestrian environment, expanded open space and public parks, connections to and along the waterfront and new affordable housing. Without the implementation of the district plan and supporting infrastructure investment, the area will develop in a fragmented manner at significantly lower densities and taxable value.

The previous sections of this report have provided development forecasts for the South-Central Waterfront planning area with the assumption that the “Framework Plan” is implemented and the City of Austin contributes funds for infrastructure that will support higher density development. If the Framework Plan is not adopted then development will occur at a slower pace and at lower density. In the June 16, 2016 SCW framework plan a “Baseline” redevelopment scenario was prepared that showed what development would be feasible assuming that existing entitlements govern the redevelopment of the parcels likely to change use over the next 15 years. CMR used the total square footage for the “Feasible Baseline “scenario to establish the proportional share for the opportunity sites in the SCW planning area. This Feasible baseline scenario shows 4.5 million square feet at buildout.

Following the same approach used to develop the forecasts that assumes the implementation of the Framework Plan, baseline forecasts have been prepared for the three major property types; office, multi-family, and residential condominiums (“attached” housing). As noted above, the proposed TIRZ district contains approximately 118 acres of land and has a 2021 taxable value of $824,856,590. All of the forecasts for development in the downtown area remain the same. However, the capture rate drops significantly because the build-out potential for the area drops from 8.5 million square feet to 4.5 million square feet as shown below in Table (39).

Table (39)

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**
SCW Feasible Baseline Development	98.25	0	4,539,063
Downtown Plus SCW	203.21	21,296,098	42,295,512
Percent in SCW TIRZ	***48.4%***	***n.a***	***10.7%***

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: Potential "Feasible" development*

Table (40)

Baseline Absorption Summary

Proposed SCW TIRZ Boundary

Year	Absorption		
	Office Square Feet	Multi-Family Units	Attached Housing Units
2021	271,663	0	0
2022	0	0	0
2023	69,523	0	0
2024	48,912	60	30
2025	34,959	70	30
2026	36,978	80	40
2027	39,401	80	40
2028	40,014	90	40
2029	42,261	100	50
2030	42,660	110	50
2031	45,503	110	60
2032	47,025	120	60
2033	48,620	130	70
2034	50,192	140	70
2035	51,890	150	80
2036	53,564	160	80
2037	55,265	170	90
2038	57,046	180	100
2039	58,855	200	100
2040	60,747	210	110
Total	1,155,076	2,160	1,100

Source: Capitol Market Research, September 2021 Development 9.17.21

Summary of Absorption estimates based on Baseline Development

Table (41)

Baseline Projected Tax Values 2021 - 2040

South Central Waterfront

Year	COA Taxable Value (January 1)	Planned Development Value	COA Taxable Value (December 31)	Inflated Value at (2.5%)
2021	$824,856,590	$135,314,667	$960,171,257	$984,175,538
2022	$984,175,538	$0	$984,175,538	$1,008,779,927
2023	$1,008,779,927	$34,629,191	$1,043,409,118	$1,069,494,345
2024	$1,069,494,345	$67,307,930	$1,136,802,276	$1,165,222,333
2025	$1,165,222,333	$63,488,136	$1,228,710,469	$1,259,428,230
2026	$1,259,428,230	$75,678,747	$1,335,106,977	$1,368,484,652
2027	$1,368,484,652	$76,885,420	$1,445,370,072	$1,481,504,324
2028	$1,481,504,324	$80,321,478	$1,561,825,802	$1,600,871,447
2029	$1,600,871,447	$92,624,995	$1,693,496,441	$1,735,833,852
2030	$1,735,833,852	$95,954,216	$1,831,788,068	$1,877,582,770
2031	$1,877,582,770	$105,424,728	$1,983,007,498	$2,032,582,686
2032	$2,032,582,686	$109,312,939	$2,141,895,624	$2,195,443,015
2033	$2,195,443,015	$121,292,243	$2,316,735,258	$2,374,653,640
2034	$2,374,653,640	$125,205,452	$2,499,859,091	$2,562,355,569
2035	$2,562,355,569	$137,235,946	$2,699,591,515	$2,767,081,303
2036	$2,767,081,303	$141,200,345	$2,908,281,648	$2,980,988,689
2037	$2,980,988,689	$153,232,278	$3,134,220,968	$3,212,576,492
2038	$3,212,576,492	$165,303,999	$3,377,880,491	$3,462,327,503
2039	$3,462,327,503	$172,465,698	$3,634,793,201	$3,725,663,031
2040	$3,725,663,031	$184,592,995	$3,910,256,026	$4,008,012,426
Total		$2,137,471,403		

Source: Capitol Market Research, September 2021 Development Summary baseline

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 Davis Brooks, Camiel DeSmet, Monique Rottmann 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

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 Member
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
Central 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