

HOUSING MARKET DEMAND EVANS & ROSEDALE PROJECT AREA CITY OF FORT WORTH, TEXAS

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Introduction

This market analysis was prepared as a part of a broader effort to promote the infill of housing development in the Evans & Rosedale Area of Fort Worth, Texas. This area occupies a strategic location near downtown and with good access to the highway system, primarily via Interstate 35W.

This is one of the older neighborhoods in Fort Worth, with a number of historic properties dating from the early twentieth century. Indeed, most of the area comprises the Terrell Heights Historic District. This area has also been a historic center of the African-American community in Fort Worth, and several recent projects have built upon this cultural heritage. The City of Fort Worth has assembled several blocks of property, in the western portion of the study area, and designated it as the Evans & Rosedale Urban Village, a targeted redevelopment opportunity for mixed-use, traditional development.

The focus of this study is the area immediately adjacent and to the east of the Evans & Rosedale Urban Village, which is expected to accommodate infill development of somewhat lower density, in order to remain compatible with the historic fabric of the area. The expected housing types are predominantly single-family detached homes, although there are also opportunities for townhomes and small scale multi-family and mixed-use buildings along the busier streets.

This market analysis was conducted in order to determine the appropriate mix of housing types, the optimal price levels, and the expected absorption rates for the study area. While the analysis focuses on the study area's relationship to the broader Fort Worth context, it also considers the more universal implications of the current national downturn in the economy and the tightening of the credit markets.

The Evans & Rosedale Area presents a number of strengths, including:

- The proximity and easy access to downtown;
- The proximity and easy access to the regional highway system;
- Lower land values;
- A large supply of vacant properties;
- Market values in the area are affordable;
- The age cohorts match the prime ages for home ownership;
- An established neighborhood;
- Several nearby parks and natural amenities;
- Access to public transportation;
- A number of redevelopment plans and initiatives in progress; and
- A strong local organization.

There are, however, some weaknesses to overcome, including:

- Strong competition from surrounding areas;
- Little recent history of demand or development;
- Vacant lots are scattered and difficult to assemble;
- Some infrastructure improvements are needed;

- Stronger code enforcement needed in certain areas;
- An older housing stock, some needing extensive renovation;
- A larger than normal proportion of renters; and
- No design theme or guidelines to reinforce an identity or image.

There are, however, initiatives underway to address several of these weaknesses. Other aspects of this planning effort will address the need for appropriate building typologies as well as propose design guidelines to reinforce the neighborhood identity.

HOUSING MARKET ANALYSIS EVANS & ROSEDALE

The analysis of the demand for housing in the Evans & Rosedale Project Area must take into consideration several factors that influence and measure the propensity to obtain housing in this neighborhood. Recent trends in the area, product value, redevelopment efforts, and financing are all significant factors that can impact the demand for housing.

Due to recent changes in the financial markets throughout the United States, as well as in North Central Texas, the housing market has taken a significant downturn. Sales of housing have fallen to lows unseen this decade and the credit crunch has made financing, of both development projects as well as individual mortgages, much more difficult.

Based on these trends, this analysis will be divided into two segments. The first will focus on the demand for housing in the Evans & Rosedale community based on “normal” development patterns. This analysis will focus on the following issues:

- The amount of housing that can be absorbed over the next ten years
- The type of housing product that would be best to offer
- Estimates of the target size of the units and bedroom and bathroom count
- Target price ranges

The second segment will address the slowdown of the housing market of the past few years and the recent financial crisis and how these factors will affect the housing market in the Project Area. Modifications to the demand analysis (typically involving timing) will be explained along with rationale for the impacts.

A. PROJECT AREA/MARKET AREA

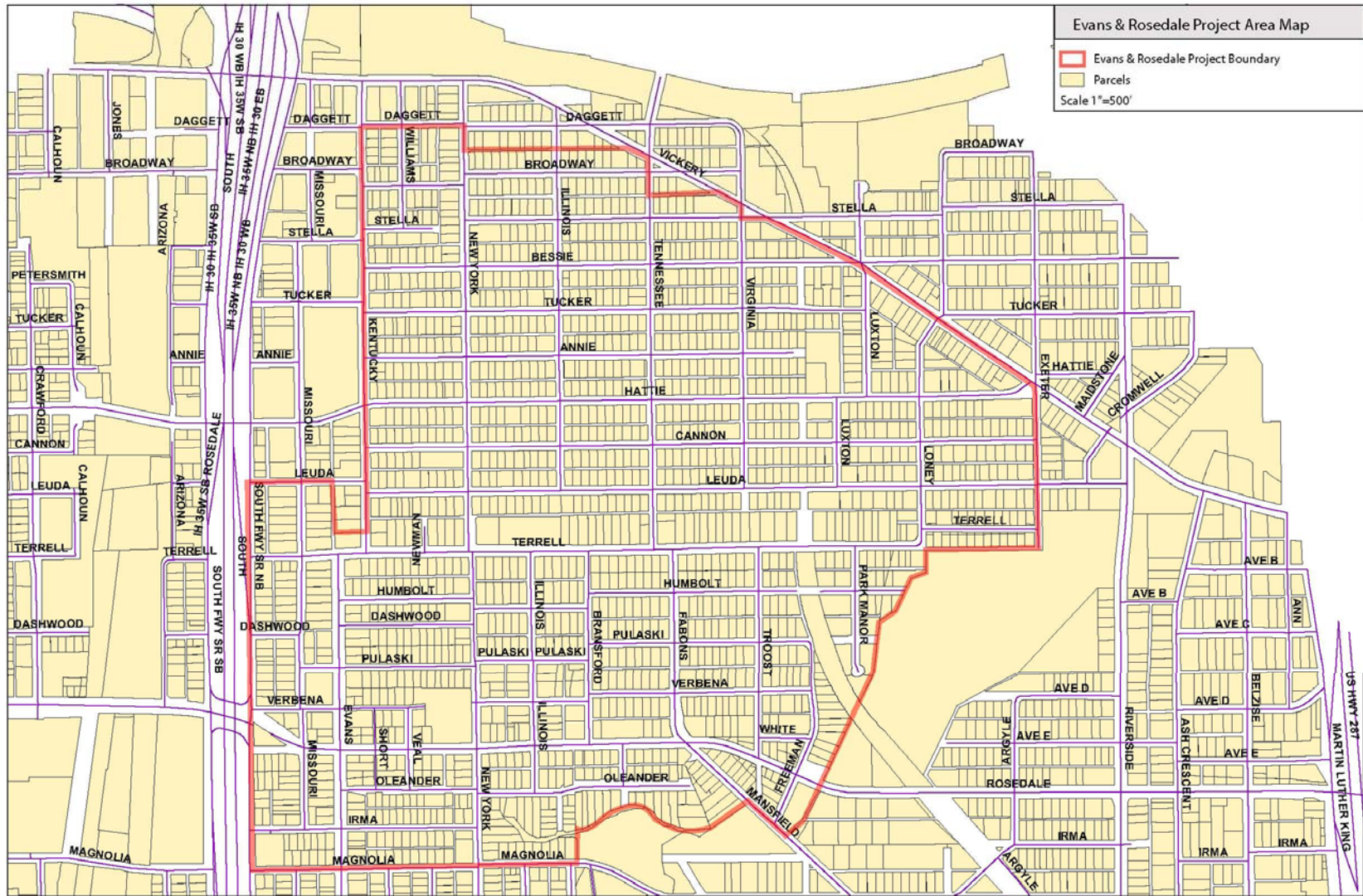
1. Project Area

The Project Area for this Market Analysis is located southeast of downtown Fort Worth with the following general boundaries:

- On the west, by I-35W
- On the north by Vickery Boulevard
- On the east by Exeter Street and Glenwood Park
- On the south by Rosedale Street

Exhibit 1 provides a map of the Project Area and surrounding communities.

EXHIBIT 1 PROJECT AREA



2. Market Area

A Market Area can be defined as the territory (or geographic area) within which the purchase or sale of a commodity affects the price or volume demanded of that commodity. For this analysis, the Market Area is based on those persons likely to obtain housing within the Evans & Rosedale Project Area versus any other community within Fort Worth. The Market Area is not limited to the boundaries of the Project Area, but rather has an extended definition of where potential home purchasers or renters will consider for housing.

The Market Area has been divided into two segments. The first would be considered the Primary Market Area due to its proximity to the Evans & Rosedale Project Area. Taken into consideration for this analysis is the “*Market Study for Evans & Rosedale Redevelopment Area*” completed in October 2004. In this report, Market Areas of up to two miles and up to 15 miles from the Project Area were used.

The next area of study would be a Secondary Market Area which identifies a larger geographic delineation of potential home buyers and renters.

For this study the Market Areas will be defined as:

Primary: Market Areas from 0 to 1 mile and 0 to 2 miles. This delineation addresses the immediate area of Evans & Rosedale and slightly outside of that area.

Secondary: Market Areas from 0 to 5 miles and 0 to 10 miles. These radii include much of the City of Fort Worth. The 10 mile radius is smaller than the one chosen in the 2004 study (15 miles), but this area does cover the Near Southside District (formerly known as the Medical District).

Demographic and housing characteristics for these four segments will be presented later in this report.

Maps illustrating the Primary and Secondary Market Areas are found in Exhibit 2 and 3.

EXHIBIT 2 PRIMARY MARKET AREA

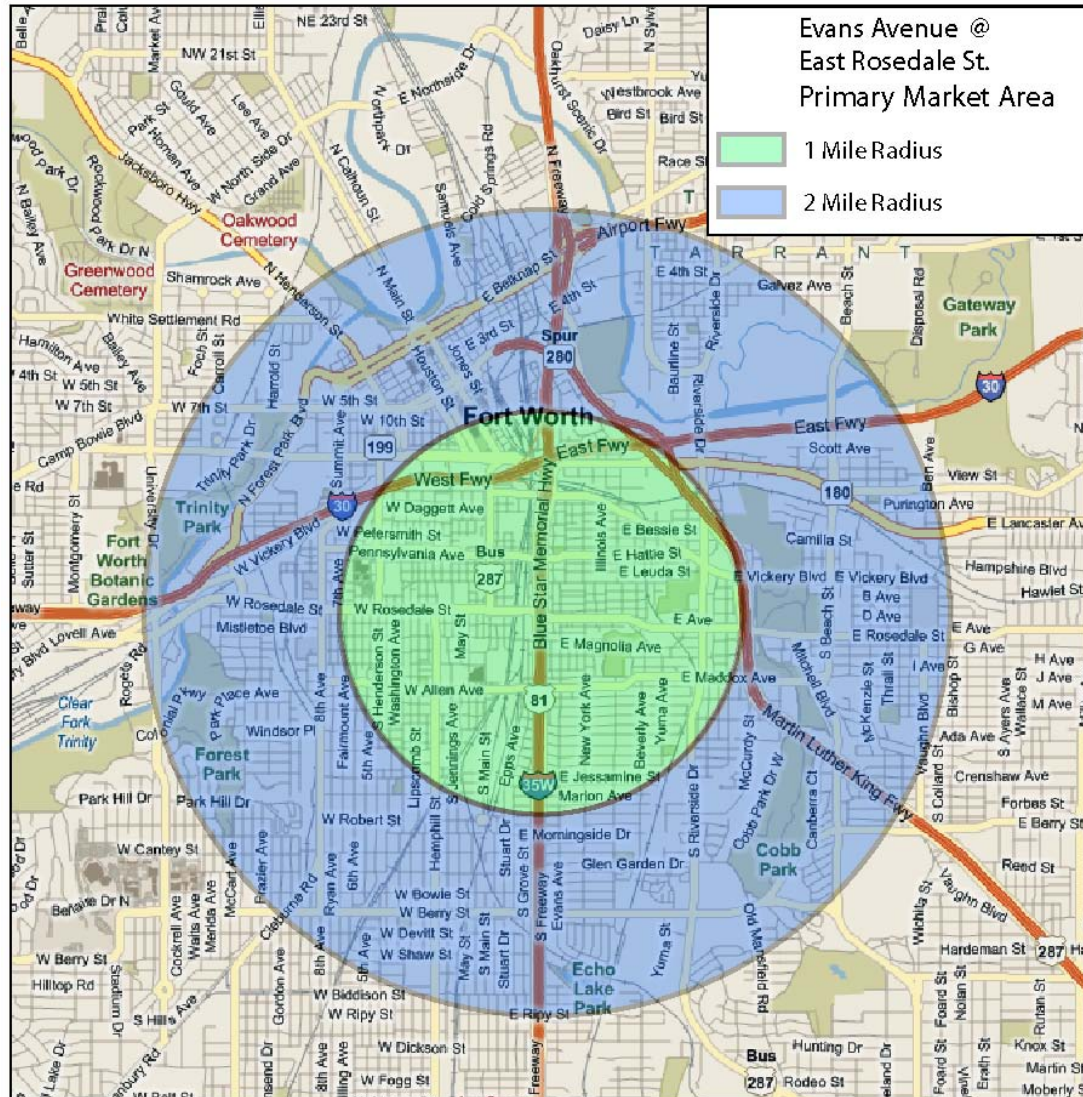
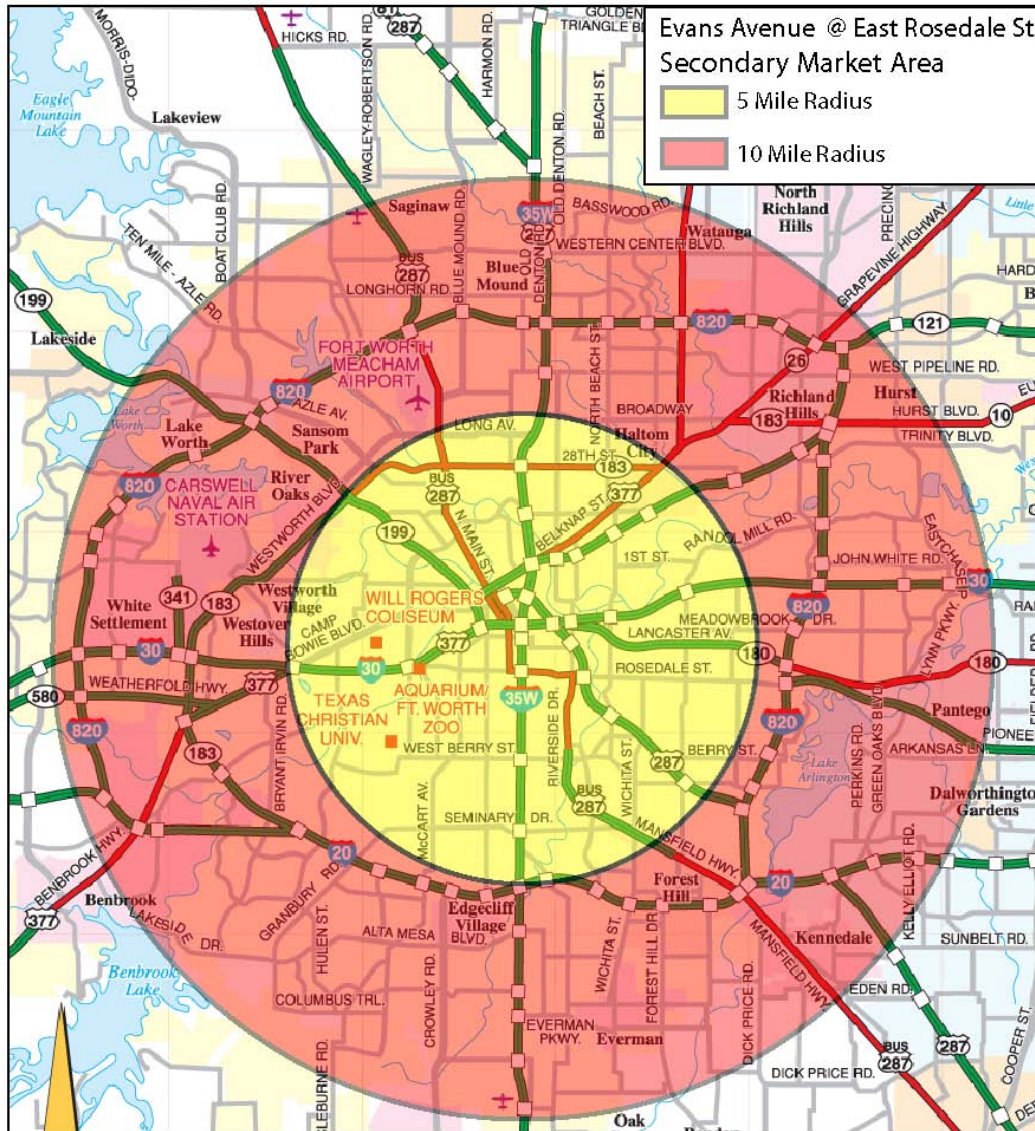


EXHIBIT 3 SECONDARY MARKET AREA



B. MARKET DEMAND

The demand for housing in the Project Area is based on the likelihood that residents will choose to move to the community. This growth is based on the construction of new housing units to meet this demand. A significant part of the analysis of demand is the historic trends of absorption of units by the housing stock in the area. These trends can provide a glimpse of the perception of the area as attractive to new home buyers and renters. This analysis of demand will also be based on the redevelopment prospects for the community as well as the proximity to downtown Fort Worth.

1. Demographics

The analysis of the demographics will consider the four market areas that have been previously identified, the Primary Market Area (0-1 miles, 0-2 miles), and the Secondary Market Area (0-5 miles, 0-10 miles). Characteristics of the population will be presented here and analyzed as they relate to the Evans & Rosedale neighborhood. The demographic data presented in this report was obtained from Claritas, a nationally recognized source of marketing and demographic information. This source provides a standard data source that is beneficial in the analysis of specific areas.

Population

The historic population figures for the Primary Market Area reveal that the neighborhoods have experienced a decline in population over the recent time frames. Beginning in 1990, the population has continuously declined in the 1-mile radius with a loss of over 1,600 persons in the last eighteen years. In the 2-mile radius, the population declined for the years between 1990 and 2000, but has shown a slight increase since that time. (See Tables 1 and 2)

The loss can be explained to a degree to smaller household sizes, possibly due to the children that have grown up in those households moving out to their own homes. The figures do indicate that the area has not experienced a steady increase in new households in the community over the past two decades.

Future growth is expected to be slow over the next five years with small increases in the 1-mile radius and moderate in the 2-mile radius.

The growth in population in the Fort Worth area has occurred in the Secondary Market Areas with high growth rates in the 5-mile radius and significant increases in the 10-mile radius. These figures indicate a strong growth rate for the Fort Worth metropolitan area as a whole.

**TABLE 1
POPULATION COUNTS**

	0 to 1 Miles	0 to 2 Miles	0 to 5 Miles	0 to 10 Miles
2013 Projection	9,022	40,609	271,340	901,898
2008 Estimate	8,903	39,271	258,947	827,857
2000 Census	9,097	38,822	250,350	737,378
1990 Census	10,519	39,083	231,001	650,613

**TABLE 2
PERCENT CHANGE OF POPULATION**

	0 to 1 Miles	0 to 2 Miles	0 to 5 Miles	0 to 10 Miles
Growth 2008-2013	1.34%	3.41%	4.79%	8.94%
Growth 2000-2008	-2.13%	1.16%	3.43%	12.27%
Growth 1990-2000	-13.52%	-0.67%	8.38%	13.34%

Age

The Primary and Secondary Market Areas all have populations that are generally young with a Median Age ranging from 31.54 years to 34.20 years. This Median Age is usually an indication of a community that is based on families and not a retirement age community. The abundance of families is usually a good indicator of demand for housing.

Table 3 provides the age distribution for all of the four market areas that are considered in this analysis. As can be seen in the data, the largest age groups are between 25 and 54 years, which are also the prime ages for home ownership.

**TABLE 3
AGE DISTRIBUTION- 2008**

	0 to 1 Miles	0 to 2 Miles	0 to 5 Miles	0 to 10 Miles
Under 5	757	3,259	24,092	69,430
5 to 9	679	2,738	20,478	62,267
10 to 14	631	2,483	18,918	58,730
15 to 17	405	1,519	11,006	34,812
18 to 20	349	1,650	13,237	35,171
21 to 24	449	2,221	14,820	45,267
25 to 34	1,285	6,520	41,154	127,983
35 to 44	1,261	5,879	37,225	120,542
45 to 54	1,128	4,779	30,294	108,851
55 to 59	430	1,825	12,027	44,246
60 to 64	343	1,436	9,477	34,374
65 to 74	562	2,123	12,822	45,187
75 to 84	562	1,688	8,985	28,980
85 and over	221	1,149	4,412	12,015
Total	8,903	39,271	258,947	827,857
Median Age	34.20	33.84	31.54	33.46

Other Characteristics

Other factors that influence the demand for housing include Income and Household size. The income levels in the four market areas show clearly that the Household Income figures increase significantly as the radii move from the Project Area. The Household Income in the 10-mile radius is 2.2 times the income for the households in the 1-mile radius, and is 1.4 times the incomes for the next highest market area. The suburban households have more money and smaller household sizes.

**TABLE 4
HOUSEHOLD CHARACTERISTICS - 2008**

	0 to 1 Miles	0 to 2 Miles	0 to 5 Miles	0 to 10 Miles
Median Family Household Income	\$23,860	\$29,745	\$38,564	\$53,177
Average Household Size	2.82	2.70	2.88	2.66
Average Number of Vehicles per Household	1.06	1.22	1.53	1.67

Workforce Data

The Primary Market Area has a workforce that is significantly blue collar which relates to the disparity in income levels. The Secondary Market Area has a much larger percentage of its workforce in white collar jobs, which confirms the higher income levels defined in the earlier section of this report.

The travel times to work for all segments of the Market Areas are very similar in amount. Table 6 lists the travel time to work for the population located within the boundaries of each market area. These amounts range from 25.96 minutes to 26.99 minutes, a difference of approximately 3%. The available data does not provide information of where this population is employed. The employment could be anywhere in the greater Dallas/Fort Worth region.

**TABLE 5
OCCUPATION CLASSIFICATION - 2008**

	0 to 1 Miles	0 to 2 Miles	0 to 5 Miles	0 to 10 Miles
Blue Collar	1,088 (40.8%)	4,707 (34.7%)	35,865 (35.1%)	101,078 (26.1%)
White Collar	837 (31.4%)	5,705 (42.1%)	47,915 (46.9%)	230,902 (59.7%)
Service and Farm	740 (27.8%)	3,137 (23.2%)	18,288 (18.0%)	54,884 (14.2%)
Total	2,665 (100%)	13,549 (100%)	102,069 (100%)	386,863 (100%)

**TABLE 6
TRAVEL TO WORK - 2008**

	0 to 1 Miles	0 to 2 Miles	0 to 5 Miles	0 to 10 Miles
Average Travel Time to Work in Minutes	26.75	26.07	25.96	26.99

2. Housing Characteristics

Number of Households

The number of households is related to the number of occupied households in any area. The data in Tables 7 and 8 compares to the population figures presented earlier. The growth rates and units are similar.

**TABLE 7
OCCUPIED HOUSEHOLDS**

	0 to 1 Miles	0 to 2 Miles	0 to 5 Miles	0 to 10 Miles
2013 Projection	2,851	12,904	88,639	329,125
2008 Estimate	2,841	12,451	85,277	303,096
2000 Census	2,963	12,329	83,603	270,809
1990 Census	3,575	12,794	81,091	241,743

**TABLE 8
PERCENTAGE CHANGE OF OCCUPIED HOUSEHOLDS**

	0 to 1 Miles	0 to 2 Miles	0 to 5 Miles	0 to 10 Miles
Growth 2008-2013	0.35%	3.64%	3.94	8.59
Growth 2000-2008	-4.12%	0.99%	2.00	11.92
Growth 1990-2000	-17.12%	-3.63%	3.10	12.02

Household Tenure

This characteristic relates to the type of occupancy of the unit, either owner-occupied or renter occupied. Table 9 lists the tenure of the units in the market area. For the Secondary Market Area (5-mile and 10-mile radius), the predominant type of household is owner-occupied. However, in the Primary Market Area, rental units are in greater abundance.

Rental units may fit better in the Primary Market Area, due to land costs and other factors. It is difficult to deliver market rate for-sale housing at a competitive price in the project area. It will typically have to sell for more than the median price in the area for the development to be profitable. And, the pool of potential renters is fairly extensive.

**TABLE 9
TENURE OF OCCUPIED HOUSING UNITS - 2008**

	0 to 1 Miles	0 to 2 Miles	0 to 5 Miles	0 to 10 Miles
Owner Occupied	1,453 (51.1%)	5,336 (42.9%)	49,101 (57.6%)	179,939 (59.4%)
Renter Occupied	1,389 (48.9%)	7,115 (57.1%)	36,176 (42.4%)	123,157 (40.6%)
Total	2,841 (100%)	12,451 (100%)	85,277 (100%)	303,096 (100%)

Type of Housing Unit

For all of the market segments, the single detached structure is the predominant type of housing unit. Based on the fact that many of the units in the Primary Market Area are rentals, the data signifies that there are a large number of absentee owners.

Another factor to consider is the difference between the total housing units, (Table 10) when referring to the structures and the identification of households, (Table 9.) this indicates a large percentage of vacant housing units. This condition is more acute in the Primary Market Area than in the Secondary Market Area. For example, in the 0 to 10 mile area, there were 303,096 occupied housing units out of a total of 328,892, indicating a vacancy rate of about 8%. In the 0 to 1 mile area, by contrast, there were only 2,841 occupied units out of 3,555, indicating a vacancy rate of over 20%.

**TABLE 10
CLASSIFICATION OF HOUSING UNITS - 2008**

	0 to 1 Miles	0 to 2 Miles	0 to 5 Miles	0 to 10 Miles
1 Unit Attached	123	448	3,830	10,245
1 Unit Detached	2,497	8,148	66,353	213,655
2 Units	291	1,230	4,696	9,039
3 to 19 Units	448	2,315	10,130	53,775
20 to 49 Units	94	568	2,145	10,273
50 or More Units	102	2,120	6,072	24,161
Mobile Home/Trailer	0	6	1,251	7,418
Boat, RV, Van, etc.	0	18	96	326
Total Housing Units	3,555	14,853	94,573	328,892

Age of the Housing

The data in Table 11 provides information on the aging of the housing in the general Fort Worth area. In the Primary Market Area, the median age of the housing structures are between 55 and 60 years. Although these houses can last for many years if properly maintained, this fact signifies that the area has not changed in character. In the past nine years, 256 housing units have been added within the 1-mile radius, or approximately 28 per year. The Project Area only represents approximately 10% of this market segment. If this growth would be evenly distributed, approximately 3 units per year were absorbed.

**TABLE 11
YEAR HOUSING UNIT BUILT**

	0 to 1 Miles	0 to 2 Miles	0 to 5 Miles	0 to 10 Miles
1999 to 2008	256 (7.2%)	1,971 (13.3%)	9,078 (9.6%)	57,321 (17.4%)
1995 to 1998	234 (6.6%)	475 (3.2%)	2,226 (2.4%)	15,376 (4.7%)
1990 to 1994	30 (.8%)	160 (1.1%)	1,025 (1.1%)	12,974 (3.9%)
1980 to 1989	60 (1.7%)	546 (3.6%)	5,974 (6.3%)	58,688 (17.9%)
1970 to 1979	170 (4.8%)	741 (5.0%)	8,200 (8.7%)	48,255 (14.7%)
1960 to 1969	326 (9.2%)	1,660 (11.2%)	13,829 (14.6%)	43,933 (13.4%)
1950 to 1959	624 (17.5%)	2,633 (17.7%)	22,835 (24.1%)	48,698 (14.8%)
1940 to 1949	685 (19.3%)	2,243 (15.1%)	15,763 (16.7%)	24,805 (7.5%)
1939 or Earlier	1,170 (32.9%)	4,422 (29.8%)	15,643 (16.5%)	18,842 (5.7%)
Total	3,555 (100%)	14,853 (100%)	94,573 (100%)	328,892 (100%)
Median Year	1949	1953	1957	1976

Household Values

The data in Table 12 represents the fair value of the owner-occupied housing stock in each of the four market radii. Again the disparity in value is directed toward the more suburban communities.

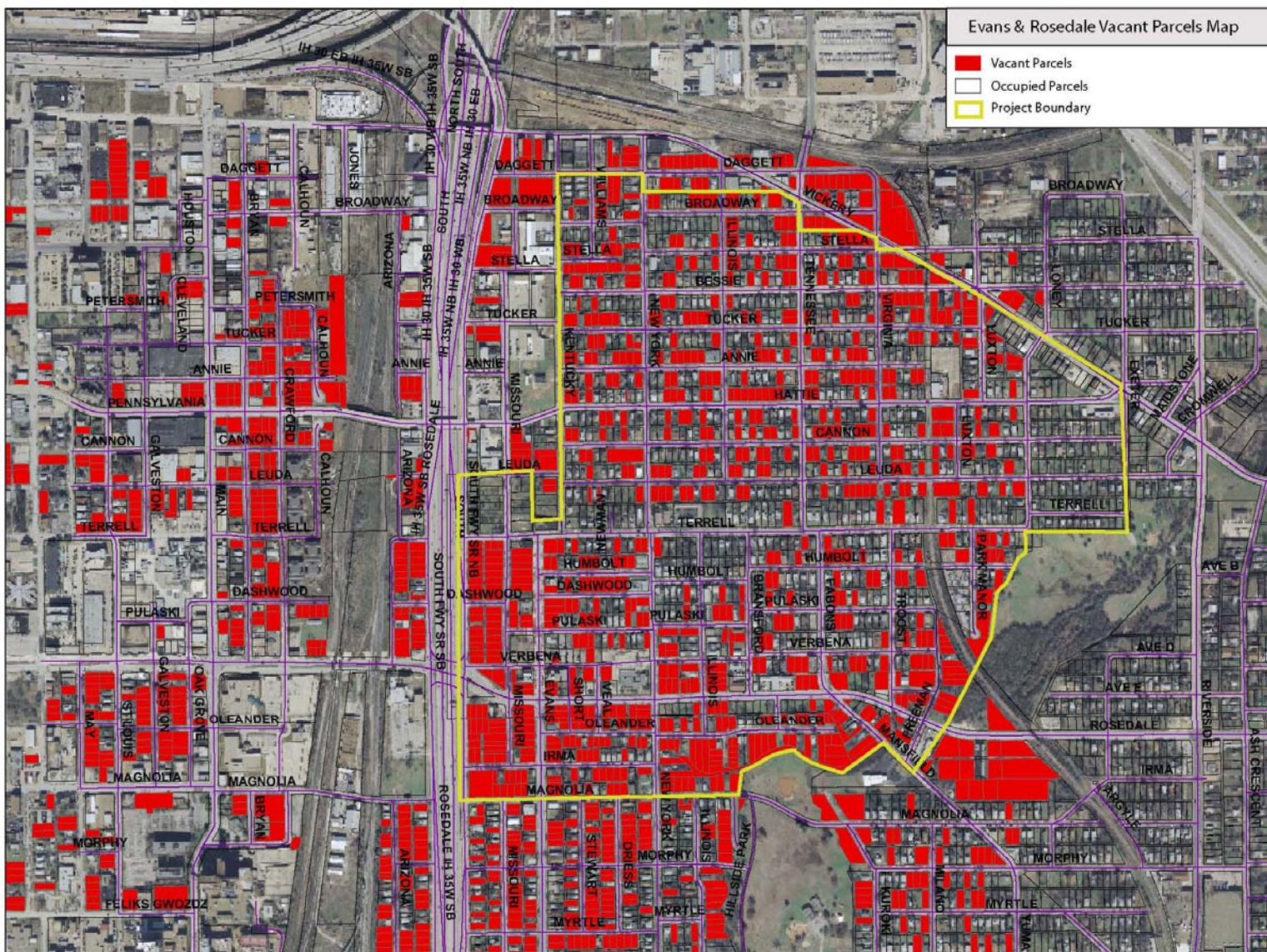
**TABLE 12
HOUSEHOLD VALUE OF OWNER OCCUPIED HOUSES - 2008**

	0 to 1 Miles	0 to 2 Miles	0 to 5 Miles	0 to 10 Miles
Less than \$20,000	319 (22.0%)	596 (11.2%)	2,178 (4.4%)	4,302 (2.4%)
\$20,000-\$39,000	456 (31.4%)	1,393 (26.1%)	7,606 (15.5%)	12,734 (7.1%)
\$40,000-\$59,000	349 (24.0%)	1,243 (23.3%)	13,419 (27.3%)	25,478 (14.1%)
\$60,000-\$79,000	188 (12.9%)	678 (12.7%)	8,527 (17.4%)	25,625 (14.2%)
\$80,000-\$99,000	61 (4.2%)	320 (6.0%)	5,103 (10.4%)	27,287 (15.2%)
\$100,000-\$149,000	48 (3.3%)	481 (9.0%)	5,138 (10.5%)	45,276 (25.2%)
\$150,000-\$199,000	8 (.6%)	198 (3.7%)	1,905 (3.9%)	17,825 (9.9%)
Over \$200,000	24 (1.6%)	427 (8.0%)	5,224 (10.6%)	21,410 (11.9%)
Total	1,453 (100%)	5,336 (100%)	49,101 (100%)	179,939 (100%)
Median Value	\$37,856	\$50,924	\$63,160	\$96,000

Vacant Property

The Project Area also contains a significant amount of vacant land within its boundaries. This is illustrated in Exhibit 4, which highlights these vacant parcels. The vacant parcels are generally scattered throughout the community with a few areas where the parcels are concentrated. This pattern makes land assembly very difficult and larger scale projects are unlikely.

EXHIBIT 4 VACANT PARCELS



C. REAL ESTATE ACTIVITY

The current Real Estate Market in the Fort Worth Area was also examined to determine the available volume and existing product type. Any new housing units will be competing with these existing units. This element of the analysis was conducted using the HUD affordability equations. The housing units that may occur in the Project Area may not necessarily be classified as affordable, however, this analysis allows for this consideration.

1. HUD Limits

The general classification for HUD (FY 2008) in considering affordable housing is based on the Median Household Income for that community. For the Fort Worth/Arlington area, this figure is \$64,600. Affordability and the corresponding income range are defined as the following:

	<u>Affordability</u>	<u>Income Range</u>
Very Low:	0% to 50% of Median Income	\$0.00- \$32,300
Low:	50% to 80% of Median Income	\$32,300- \$51,680
Moderate:	80% to 120% of Median Income	\$51,680- \$77,520

Converting these amounts to housing values can be achieved by considering that the purchase of homes is limited to three times the annual Household Income, and Rental units are limited to one week's income. The limits for the Fort Worth/Arlington area are:

TABLE 13
RANGES OF AFFORDABILITY – FORT WORTH /ARLINGTON, TX

Category	For Sale	Rental
Very Low	\$0 to \$96,900	\$0 to \$673
Low	\$96,900 to \$155,040	\$673 to \$1,076
Moderate	\$155,040 to \$232,560	\$1,076 to \$1,614

2. Current Listings

The analysis of the current Real Estate market in the Market Areas was conducted using several search engines that defined the market geographically. These websites were examined and the available units aggregated by price.

The Fort Worth area was examined starting from the center point at Evans Avenue and Rosedale Street. Housing data was collected for a one, two, five, and ten mile radius from that point. Below, the collected data is expressed in terms of HUD's FY 2008 median income of \$64,600 for the Fort Worth-Arlington, Texas area. The median income figure was then distributed to the three income groups this study considered:

Very Low:	0% to 50%
Low:	50% to 80%
Moderate:	80% to 120%

Using real estate search engine oodle.com, the data was organized and analyzed according to the three income groups previously mentioned. Within a 10 mile radius, a total of 958 for sale units and 3,212 rental units were found to be within these income ranges for FY 2008.

The population that is defined by HUD to have very low income limits is able to afford a for sale housing unit up to \$96,900 and a rental unit up to \$673. A total of 368 for sale units and 1,625 rentals fell into the very low income category. On average, a for sale unit was defined as a 3 bedroom, 1 ½ bathroom property with 1,311 square feet and a price of \$71,580. The average rental unit consisted of a 1 bedroom, 1 bathroom property with a price of \$516.

TABLE 14: FOR SALE UNITS -VERY LOW INCOME

Income Limit	Available Units	Average Number of Bedrooms	Average Number of Bathrooms	Average Square Feet	Average Price
0-50%	368	3	1 1/2	1,311	\$71,580

Source: HUD FY 2008 Income Limits Documentation System, oodle.com, PMG Associates Inc.

TABLE 15: RENTAL UNITS - VERY LOW INCOME

Income Limit	Available Rentals	Average Number of Bedrooms	Average Number of Bathrooms	Average Price
0-50%	1,625	1	1	\$516

Source: HUD FY 2008 Income Limits Documentation System, oodle.com, PMG Associates Inc.

The population that is defined by HUD to have a low income limit is able to afford a for sale unit up to \$155,040 and a rental unit up to \$1,076. A total of 408 for sale units and 1,196 rental units fell into the low income category. On average, a for sale unit was defined as a 3 bedroom, 2 bathroom property with 1,759 square feet and a price of \$122,667. The average rental unit consisted of a 2 bedroom, 1 ½ bathroom property with a price of \$818.

TABLE 16: FOR SALE UNITS –LOW INCOME

Income Limit	Available Units	Average Number of Bedrooms	Average Number of Bathrooms	Average Square Feet	Average Price
50-80%	408	3	2	1,759	\$122,667

Source: HUD FY 2008 Income Limits Documentation System, oodle.com, PMG Associates Inc.

TABLE 17: RENTAL UNITS - LOW INCOME

Income Limit	Available Rentals	Average Number of Bedrooms	Average Number of Bathrooms	Average Price
50-80%	1,196	2	1 1/2	\$818

Source: HUD FY 2008 Income Limits Documentation System, oodle.com, PMG Associates Inc.

The population defined by HUD as having a moderate income limit, is able to afford a single-family house up to \$232,560 and a rental unit of up to \$1,614. A total of 182 for sale units and 391 rental units fell into the low income category. On average, a for sale unit was defined as a 3 bedroom, 2 ½ bathroom property with 2,255 square feet and a price of \$188,476. The average rental unit consisted of a 2 bedroom, 2 bathroom property with a price of \$1,287.

TABLE 18: FOR SALE UNITS - MODERATE INCOME

Income Limit	Available Units	Average Number of Bedrooms	Average Number of Bathrooms	Average Square Feet	Average Price
80-120%	182	3	2 1/2	2,255	\$188,476

Source: HUD FY 2008 Income Limits Documentation System, oodle.com, PMG Associates Inc.

TABLE 19: RENTAL UNITS - MODERATE INCOME

Income Limit	Available Rentals	Average Number of Bedrooms	Average Number of Bathrooms	Average Price
80-120%	391	2	2	\$1,287

Source: HUD FY 2008 Income Limits Documentation System, oodle.com, PMG Associates Inc.

Another source of data is the Real Estate Center at Texas A&M University. This agency tracks Real Estate activity throughout the State of Texas and provides detailed information by Multiple Listing Service (MLS) listing area. The number of overall single-family housing sales for the Fort Worth area in July 2008 was 909 units, down from 961 in June (Table 20). The overall trend also shows a decline of 18% from July 2007. The sales total for 2008 Year-To-Date (through July) is 5,953, which represents a 15% decline from one year ago.

Other data provided includes the total listings for the MLS area. The figure for Fort Worth is 16% less than the figure from July 2007 and the Year-To-Date total has declined 12% (Table 20). Estimates from MLS indicate that the Fort Worth area has a current backlog of six months sales inventory. However, these estimates are several months old and the current conditions may have a more significant backlog.

The reduction in total listings does not necessarily represent sales of units. Some owners may have taken their units off the market due to poor sales volume and sales prices.

**TABLE 20
REAL ESTATE SALES AND LISTINGS – FORT WORTH MLS REGION**

Category	Sales	Listings
July 2008	909	5,467
June 2008	961	5,418
July 2007	1,104	6,499
Change 2007-2008	-18%	-16%
Year-To-Date Number	5,953	5,524
Year-To-Date change 2007-2008	-15%	-12%

Source: Real Estate Center at Texas A&M University, <http://recenter.tamu.edu/>, PMG Associates INC.

3. Direct Competition

The most direct competition to the Evans & Rosedale community is the Sierra Vista development to the south of the Project Area. The new houses in this community range in price from \$88,450 to \$135,450. In addition, currently a rebate of 10% is being offered. The square footage ranges from 1,290 to 3,310, based on the model.

4. Building Permits

The Building Permit activity for the Forth Worth-Arlington area was collected from the Real Estate Center at Texas A&M for the past ten years. This data illustrates the preference for single family units in the area as this housing type makes up the majority of all permits. The years from 2004 through 2006 saw a sharp increase in the number of permits. This activity corresponds to the housing boom nationally in that same period. With the decline in the Real Estate market, a shift to apartments has occurred. The increase in 2006 and 2007 in the 5+ Family category also represents this national trend.

**TABLE 21
BUILDING PERMIT ACTIVITY (City of Fort Worth)**

Year	Single-Family	2-4 Family	5+ Family
1998	9,374	414	4,971
1999	9,605	246	2,147
2000	10,455	140	2,070
2001	12,169	172	2,029
2002	13,391	400	3,365
2003	13,814	181	3,135
2004	16,067	182	2,482
2005	17,877	400	2,872
2006	15,212	616	3,434
2007	10,317	379	3,260

Source: City of Fort Worth, PMG Associates, Inc.

5. Conclusions

One of the tasks to be performed in this study was an evaluation of the previous Market Analysis for the Evans & Rosedale Project Area (*Market Study for Evans & Rosedale Redevelopment Area*) completed in 2004 which made a number of projections of demand and new housing units.

The projections included estimates for the year 2008 based on the potential capture of demand from two market areas. The first was a 2-mile radius from the Evans & Rosedale community and addressed the competition found close to the Project Area. The second market area extended a total of fifteen miles from the center of the Project Area. Future growth estimates for the Project Area included the capture of 10-15% of the total housing demand within the 2-mile radius. In addition, the report assumed that the Project Area would also attract .2% to .25% of the total demand for the market area that extends between 2 and 15 miles for the radius.

The projections made in the 2004 *Market Study for Evans & Rosedale Redevelopment Area* report concluded that there could be a possible addition of 102 housing units in the 2-mile radius market area, and an estimated 42,226 housing units added in the 15-mile radius within a five year time period. Based on the 2004 report, between 94 and 121 of these projected housing units were estimated to be added to the Evans & Rosedale Project Area during this time frame. However, current data from Claritas reveals that these projections have not been achieved. The actual number of new housing units in the entire 2-mile radius market area is 45, and few of these units were constructed in the Project Area. The projections from the 2004 report were not met due to the conditions that faced the housing market over the past four years and the reliance on redevelopment projects that did not occur.

The report stressed that these projections were based on the completion of the redevelopment projects planned by the City of Fort Worth. Without these projects, the report states, this growth cannot occur.

It is the opinion of PMG Associates, Inc. that the Primary Market Area is the only region where real absorption can be predicted. The Evans & Rosedale area is such a small area, however, that absorption rates would be difficult to interpolate from the larger Primary Market Area. Since there is active land assembly and redevelopment occurring there, it is likely to attract a proportionally higher share of the activity within the Primary Market Area.

Projections for the Project Area - 2008

Demand assuming “normal” market conditions: Based on the analysis using Claritas, the 2-mile radius will have a demand for 453 new dwelling units. If the redevelopment efforts proceed as scheduled, including public and private investment, the Evans & Rosedale Project Area can absorb between 10% and 15% of this market. This assumption is significant in that the Project Area only makes up approximately 5% of the land area in the 2-mile radius. These estimates produce an annual demand of between 9 and 13 units per year.

Type of units: Single-family. Although the demand may be higher at this time for multifamily units, there is no accumulation of land to build the multifamily units. The large area just west of I-35W or in close proximity to the Near Southside District may be better

locations for these units. Some small multifamily projects may be built in the Project Area. However, the amount will be limited.

Price Range: The single family units should be priced (in current dollars) at between \$85,900 and \$102,900. After the stabilization of the financial markets, these prices should increase by 10% to 15%.

Unit Size: The units should be between 1,250 and 1,500 square feet.

Bedroom/Bathrooms: The units should be 3 Bedrooms and 2 Bathrooms.

D. IMPACTS OF THE CREDIT CRUNCH AND FINANCIAL INSTITUTION FAILURES

The entire nation has been impacted by the decline in the Real Estate markets and the financial difficulties that have followed. The recent failures of banks, stock brokerage firms, mortgage companies and large investment holding companies are rooted in the “sub-prime” mortgage collapse of the past several years. The result of these financial difficulties will be decreased availability of financing and higher interest rates for loans granted. The impacts of the financial crisis will affect most developers seeking construction loans as well as individuals that require mortgages. The recent position of the Federal Government to aid some of these institutions may bring some relief. However, the extent is not known.

The impact that these conditions have on the demand for housing in the Evans & Rosedale Area may be dramatic. The demand for housing may be high, but the ability to build or finance an acquisition may be severely hampered. The potential buyers may still desire to purchase a home, but they may be unable due to the current financial market. The factors that impact the demand are:

1. Higher Costs

The higher interest rates will increase the cost of the new home by adding to the Construction Loan interest rate. In addition, the developers will have to compete for fewer funds that are available for the financing required.

2. Higher Mortgage Rates

The sub-prime mortgage defaults have already claimed several casualties (Countrywide, Bear Sterns) with several others on the watch list (Washington Mutual). As of July, 2008, 11 banks have gone bankrupt, with another 117 with troubling balance sheets. Coupled with the problems of Fannie Mae and Freddie Mac, the mortgage industry may be in its worst position ever. The current estimate of the funds used to stabilize these markets to date is \$1 trillion. Some estimates expect this amount to increase to between \$5 trillion and \$7 trillion before the end of the crises.

3. New Housing Starts

Although the building permit activity in Fort Worth has not experienced the magnitude of decline of other U.S. markets, the number of permits is nevertheless down considerably. On the national scale, the number of housing starts has reached a 17 year low. These figures illustrate that the development industry does not feel confident in the current business climate.

The previous consensus was that the Real Estate industry would show real recovery in late 2009. It is likely that this recovery will be pushed back at least one year.

4. Unemployment

The Unemployment Rate for the Fort Worth area is good when compared to the rest of the United States. In the past year a total of 68,000 jobs were created in the Dallas/Fort Worth region, the second highest in the country. However, in that same time frame, the Unemployment Rate rose from 4.6% to 5.0% in the Dallas/Fort Worth region. Although this figure is better than for most of the country, it still is a trend in a negative direction.

5. Impact on Demand

In the earlier section of this report, an estimate of 9 to 13 units per year is projected for the Project Area. However, due to the financial crisis, this estimate is likely too high. It is likely that few new home starts will occur for the next two to three years, or until the financial conditions improve. An example is Habitat for Humanity which has experienced problems completing new homes. After the financial crisis is over, the “pent-up” demand may provide for a demand that could reach 15 to 20 units per year.