

EXECUTIVE SUMMARY

ATTRIBUTES OF SUCCESSFUL DOWNTOWNS

The attributes of successful downtowns can vary; however, there are core characteristics that most successful downtowns possess.

- **Successful downtowns tend to have multiple activity generators within walking distance to one another.** Activity generators like museums, convention centers, universities, government offices, and other cultural destinations bring residents and visitors to a downtown. By creating value to the “place,” these “anchors” support retail, office, hotel, and residential development.
- **Successful downtowns are beloved by citizenry.** Successful downtowns tend to have regional significance. Successful downtowns are a source of regional pride and reflect the culture of the community.
- **Successful downtowns are generally mixed use in character.** Successful downtowns treat mixed-use development as a critical component to the urban environment.
- **Successful downtowns are walkable and have streets that act as parks for pedestrians.** In successful downtowns people walk the street as a recreational pursuit. There is enough activity to create a vibrant downtown environment.
- **Entertainment is a driving market segment.** Entertainment extends the life of downtown beyond 5:00 pm. Restaurants, theaters, and performing arts centers make up the entertainment niche.
- **They have strong downtown residential and adjacent neighborhoods.** Successful downtowns have a strong resident constituency. Downtown residents are not only advocates for downtown, but are an important market supporting the mix of land uses downtown.
- **There is broad public/private investment in the future of downtown.** Great downtowns are actively planning for the future. In all cases, the public sector supports downtown investment via public/private planning and investment. Joint public/private development is pervasive in successful downtowns.
- **Successful downtowns are safe and secure.** Customers and businesses want a sense of safety and security when they are working, shopping, and living downtown. Often, downtowns suffer more from a perception of being unsafe rather than a reality of crime. Community policing, taking care of “broken window” issues, lighting, and having an active environment are all ways successful downtowns enhance safety and security.



DOWNTOWN TYLER'S POTENTIAL

Downtown Tyler possesses many ingredients of a successful downtown, and in other areas, needs some enhancement. In light of the qualities of successful downtowns, the following section assesses downtown Tyler's position in the region and its market potential.

TYLER'S CULTURAL AND REGIONAL ROLE

Situated near the westernmost edge of the Piney Woods and red dirt and Cypress swamps of the South, Tyler really is where the South ends and the South-west begins. The soil and vegetation, as well as the cultural and economic history of the area, have made Tyler a unique blend of the two regions.

Tyler is the economic and cultural center of East Texas. Tyler is the center of a region that expands well beyond Smith County, and state officials estimate that as many as 270,000 people come to Tyler each day. Tyler's influence expands to Anderson, Cherokee, Gregg, Henderson, Rusk, Upshur, Van Zandt, and Wood counties. This region contains over 675,000 people, placing Tyler's region within the top 75 metro areas in terms of size.

Currently, downtown Tyler is a government center, not a center with multiple activity generators. However, as the center of a distinct region, it has an opportunity to function as the "heart of East Texas."

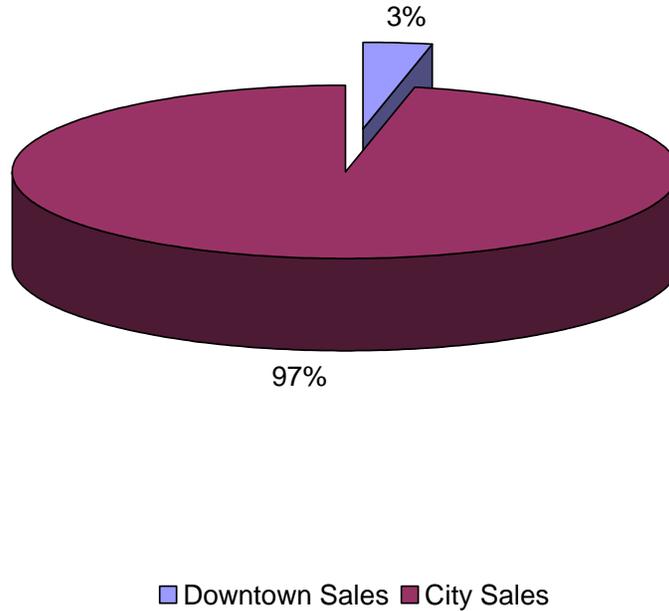
TYLER IS THE REGION'S ECONOMIC ENGINE

The City of Tyler is the retail hub of the region. The City of Tyler's shopping center-inclined retail sales are over two-and-a-half times what would be expected from city residents' buying power.

However, downtown Tyler (as defined by Census Tract 5) is capturing a small share of the city's shopping center-inclined retail sales, only 3 percent. Downtown retail is supported by the captive employee market spending in restaurants and on retail. There are very few regional attractions located in Tyler's downtown and limited residential options.



Downtown's Share of City's Shopping Center-Inclined Retail Sales



Growth immediately surrounding Tyler and in East Texas will generate demand for additional retail. Over the next five years, growth will support and additional 520,000 to 580,000 square feet of shopping center-inclined retail. This represents an average annual increase of 105,000 to 117,000 square feet per year, which is close to what was absorbed in Tyler in 2005.

To compete effectively for retail investment, the downtown must re-invent its role in the city and regional economies. The downtown must become a destination through social, recreational, cultural, tourism-related investments. Only with regional drawing power, nighttime activity, successful private investment, and marketplace "buzz" will significant retail investment occur in the downtown. Retail follows growth; realistically, other investments must occur and prove successful before meaningful retail investment will happen.

THERE ARE MARKET SEGMENTS IN THE REGION WITH LIFESTYLES CONDUCTIVE TO DOWNTOWN LIVING

There are certain household types with tastes and preferences conducive to an urban, rather than suburban, lifestyle. We term these households "urban-inclined." Target household types include urban-inclined: young, single person households; young childless couples; single parent households; empty nester



households; and ethnic households. ZHA uses the lifestage and lifestyle data provided by Claritas, Inc. to identify the potential market for downtown living.

There are currently 30,350 households in the Tyler MSA that could potentially be interested in living in a downtown environment and another 53,300 households in the region. According to Claritas, Inc. there are currently 830 households in the downtown as defined by Census Tract 5. The downtown is capturing less than 3 percent of the urban-inclined MSA market. This could be a function of demand, but more likely it is a function of the residential supply available downtown and downtown Tyler's limited role in the regional economy.

**New Market Rate Downtown Housing Potential By Housing Product Type
Downtown Tyler
2005 - 2015**

Product Type	2005 - 2010		2010 - 2015		2005 - 2015	
	Low	High	Low	High	Low	High
Multi-Family	106	250	241	276	347	526
Townhouse	27	62	60	138	87	200
Total	133	312	301	414	434	726

Source: ZHA, Inc.

F:\60008 Tyler Tx\residential tables.xls]conc

Because of the character of the households in the Tyler metro area and region, there is significant downtown residential development potential. New, unique products such as urban lofts must be offered in the downtown to capture a portion of this potential. To fully capitalize on the market, the downtown must be re-positioned as the cultural (and psychological) center of the Tyler region. Without such cachet it will be difficult to penetrate the large empty nester market.



ECONOMIC, RETAIL, AND RESIDENTIAL ANALYSIS

ECONOMIC FRAMEWORK

LOCATION

Tyler, Texas is in East Texas; Tyler is located 90 miles east of Dallas/Fort Worth, and 90 miles west of Shreveport, LA. Tyler is highway accessible via Interstate 20, U.S. 271 and U.S. 69, and State Highways 31, 64, 110 and 155.

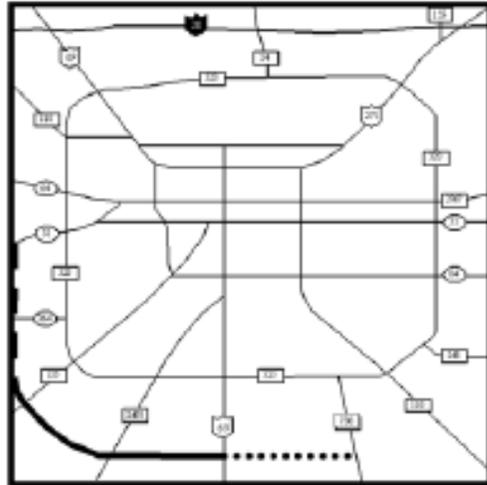
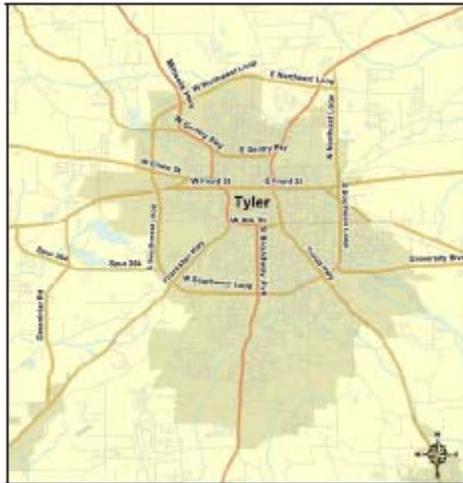


Source: Tyler Texas Community Profile 2006

Downtown Tyler is slightly north of the geographic center of the City. Surrounding Downtown Tyler is Loop 323, an open access four- to six-lane major arterial. Loop 323 carries between 20,000 and 40,000 vehicles per day depending on Loop location.



Tyler Road System



Source: Tyler Texas Community Profile 2006; Real Estate Center at Texas A & M

Tyler Pounds Regional Airport is located on Highway 64, four miles west of Loop 323. American and Continental Airlines service the airport as well as two fixed base operators. In 2005, there were 86,160 flight boardings at the airport.

HISTORY

Situated near the westernmost edge of the Piney Woods and red dirt and Cypress swamps of the South, Tyler really is where the South ends and the Southwest begins. The soil and vegetation, as well as the cultural and economic history of the area, have made Tyler a unique blend of the two regions.

Oil was discovered in the Tyler area in 1930, and Tyler is currently the headquarters of the East Texas Oil Field. The find turned out to be the largest oil field in the lower 48 states. The oil wealth brought a much-needed infusion of money while the rest of the nation was suffering through the Great Depression. Though oil changed the economic fortune of the area, it did not alter the southern charm that is such a large part of Tyler's heritage. The influence of the cotton, peaches, and roses that had previously been the strength of Tyler before the oil boom can still be felt in Tyler.

Residents of East Texas are proud to be from Texas, though they also recognize and celebrate the ways in which East Texas is different from the rest of the state. Texas' peculiar history contributes to this regional identity. As part of Texas'



admission to the Union, Texas was granted the right to divide itself into as many as five total states. Under many of these proposals Tyler is a part of a separate state called East Texas.

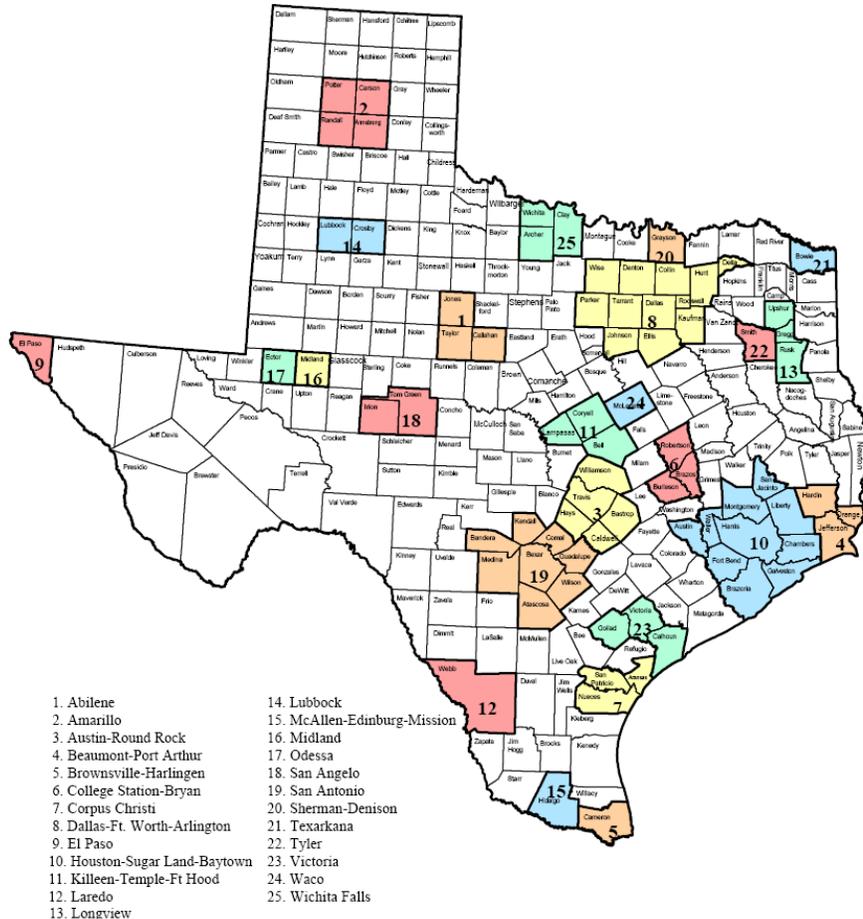
Residents of East Texas look to Tyler as the regional center for health care and other services. Tyler also serves as a regional center for commerce. State officials estimate that as many as 270,000 people come to Tyler each day. Though Tyler serves as a regional hub for East Texas, residents of the Tyler area also enjoy proximity to the DFW Metroplex a mere 90 miles to the west. As such, Tyler is ideally situated as the hub of one region, and at the door of one of North America's largest and most dynamic cities.

DEMOGRAPHIC TRENDS AND PROJECTIONS

The City of Tyler is located in Smith County. The Tyler Core Based Statistical Area (Tyler MSA) consists of Smith County and Tyler. The Tyler MSA is located adjacent to the Longview Metropolitan Area.



Metropolitan Statistical Areas (MSAs)

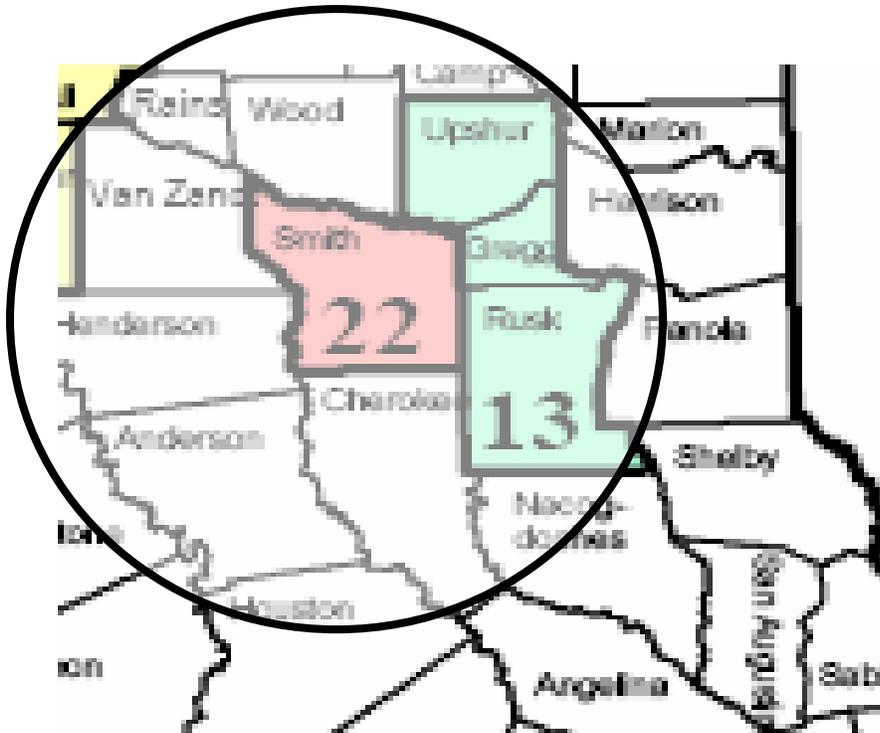


Prepared by the Labor Market and Career Information Department, TWC
Edited by Real Estate Center at Texas A&M University

For purposes of the economic and market analysis, the “Tyler Region” is defined as Anderson, Cherokee, Gregg, Henderson, Rusk, Upshur, Van Zandt, Wood, and Smith counties.



Tyler Region



Source: Real Estate Center at Texas A & M
Tyler region.ppt

The City of Tyler contains 101,100 people, according to a study commissioned by the City ("2005 Population Study" by Population and Survey Analysts). From 2000 to 2005 there was explosive growth in the City, mostly among the Hispanic population.



**Population and Households
Select Areas
1990, 2000, 2005**

	1990	2000	2005	Avg. Annual Change	
				1990-2000	2000-2005
Tyler ¹	77,650	83,650	101,100	0.7%	3.9%
Smith County (Net of Tyler)	73,660	91,060	89,200	2.1%	-0.4%
Tyler MSA ²	151,310	174,710	190,300	1.4%	1.7%
Tyler Region	546,300	628,690	675,590	1.4%	1.4%
Texas ²	16,986,510	20,851,820	22,920,000	2.1%	1.9%

1. ZHA adjusted 2005 Census numbers to reflect the 2005 Population Survey.
2. 2005 data from the "Perryman Economic Outlook Conference" presentation.

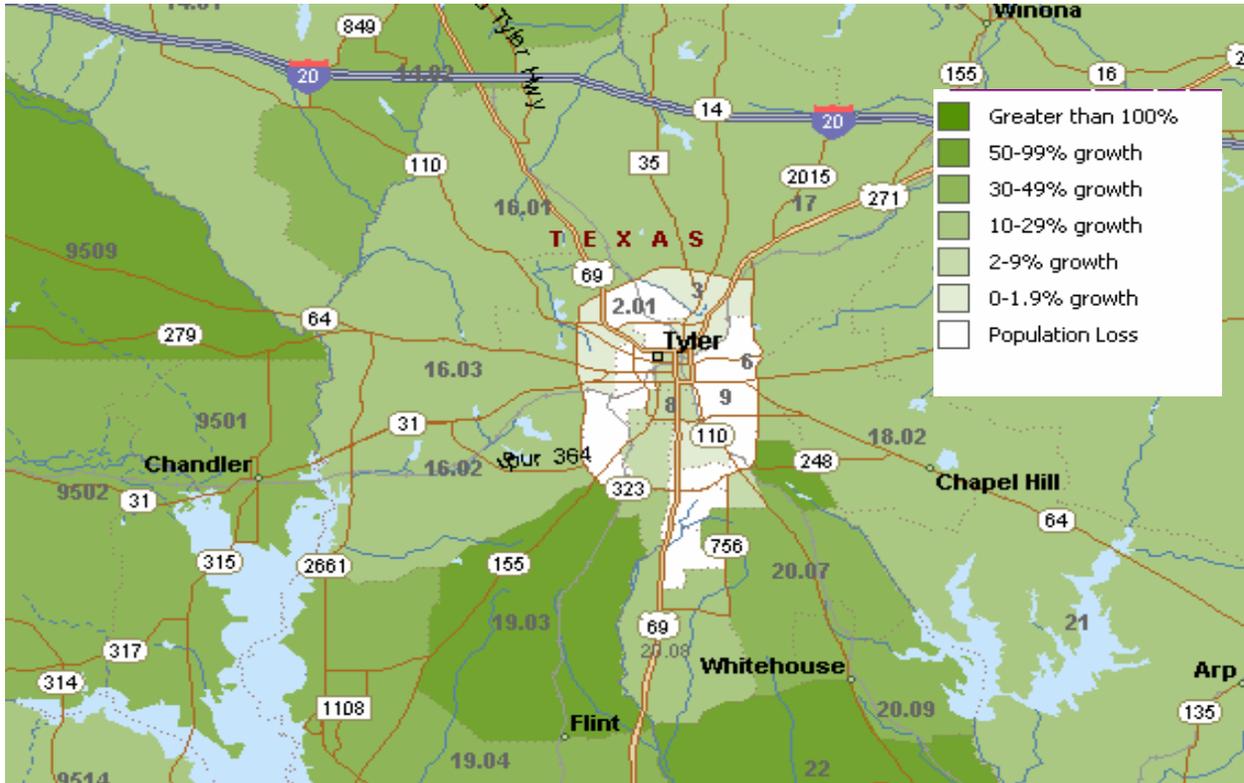
Source: Claritas, Inc.; "2005 Population Survey", Population and Survey Analysts; The Perryman Group, "Perryman Economic Outlook Conference"; ZHA
 F:\60008 Tyler Tx\demographics.xls]pop

ZHA has estimated 2005 households in the Tyler MSA given the City's 2005 Population Survey, The Perryman Group's economic forecast information, United States Census information and data from the Real Estate Center at Texas A&M University. Based on these sources, ZHA estimates that there are approximately 71,600 households in the Tyler MSA.

The following map demonstrates that between 2000 and 2005, household growth occurred in the southern sections of the Tyler MSA. On the map, the darker the green, the higher the rate of household growth from 1990 to 2002.



Household Growth 1990 - 2002



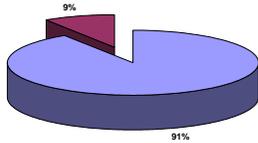
Source: Microsoft MapPoint; ZHA, Inc.

According to the City's 2005 Population Survey, between 1990 and 2000 the Hispanic population doubled in the City. This represents a growth rate of 10 percent per year. Over the same time frame, the entire population grew by only 1 percent per year. According to Claritas, Inc. in 2005 the Hispanic population represented approximately 20 percent of the City population. Claritas' estimate may be low because it is based on 2000 Census data which under-estimated population, likely the Hispanic population.

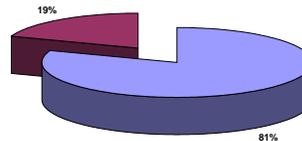


Hispanic Share of City's Population 1990, 2000, 2005

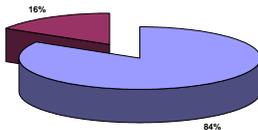
Share of Hispanic Population
1990



Share of Hispanic Population
2005



Share of Hispanic Population
2000



Source: Claritas, Inc.; ZHA
Demographics.ppt

For purposes of the economic and market analysis, the "Tyler Region" is defined as Anderson, Cherokee, Gregg, Henderson, Rusk, Upshur, Van Zandt, Wood, and Smith counties. The Tyler region contains over 675,000 people. The region is comparable in size to the McAllen-Edinburg-Pharr and El Paso metro areas in Texas. Nationally, the Tyler region's population is comparable in size to Springfield, Massachusetts; Toledo, Ohio; Syracuse, New York; Little Rock, Arkansas; and Greenville, South Carolina. These metro areas rank within the top 75 metro areas (out of 292) in terms of population in the country.

Understanding that Tyler is the center of a large region is important. As was pointed out in a number of interviews with community leaders, it is misleading to understand Tyler as the center city of a metropolitan area of only 190,000 people. There are many more residents in adjoining counties that Tyler serves in terms of jobs, health care, higher education, and shopping.



EMPLOYMENT

The Tyler Metropolitan Statistical Area is a manufacturing, health care, education and retail center for East Texas. Tyler ranked third nationally on a list of "Best Small Places for Business and Careers" by Forbes Magazine and the Milken Institute.

Tyler's labor force totals 96,910 with an unemployment rate of 4.8 percent (2005). By comparison, Texas' unemployment rate was 5.3 percent in 2005. According to the Tyler Chamber of Commerce and the Tyler Economic Development Council, Inc. in their publication, "Tyler Community Profile, 2006," the Tyler MSA contained 91,675 jobs. The Perryman Group estimated the Tyler MSA's 2005 wage and salary employment at 93,200 in the Perryman Economic Outlook Conference in January of 2006. The analysis herein applies the employment figures contained in the "Tyler Community Profile, 2006." Employment projections reflect the average annual growth rate presented by The Perryman Group at the Economic Outlook Conference for the Tyler MSA in January, 2006.

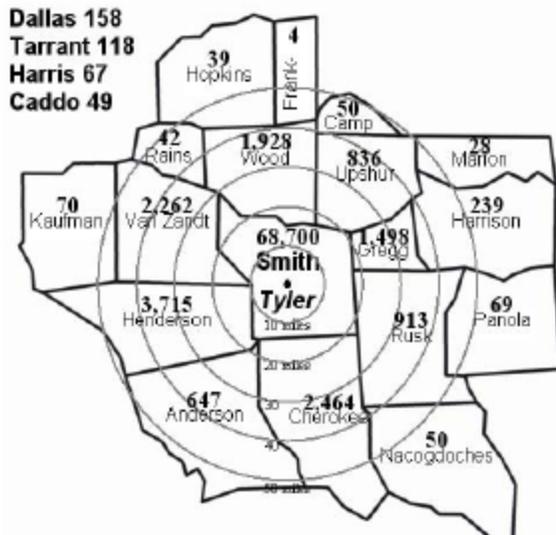
Employment Trends Tyler MSA 1995-2005		
Year	Jobs	% Change
1995	80,110	2.9%
1996	81,337	1.5%
1997	83,732	2.9%
1998	84,865	1.4%
1999	86,163	1.5%
2000	82,572	-4.2%
2001	83,026	0.5%
2002	84,890	2.2%
2003	86,944	2.4%
2004	89,196	2.6%
2005	91,675	2.8%

Source: U.S. Bureau of Labor Statistics; ZHA
F:\60008 Tyler Tx\demographics.xls]emp trend



Commuting data from the 2000 census illustrate that approximately 20 percent of the MSA's employees come from beyond the MSA to work in Tyler.

Where Tyler Employees Reside 2006



County	Labor Force	%
Smith	68,700	81.0
Henderson	3,715	4.4
Cherokee	2,464	2.9
Van Zandt	2,262	2.7
Wood	1,928	2.3
Gregg	1,498	1.8
Rusk	913	1.1
Upshur	836	1.0
Anderson	647	0.8
Harrison	239	0.3

Source: U.S. Census Bureau

Tyler's economy rebounded from Texas' 2000 recession. Last year job growth in the MSA was robust, outpacing the state's average employment growth.

Employment Trends By Industry Tyler MSA and Texas 2005-2006

	Tyler MSA	Texas
Natural Resources & Mining & Construction	4.2%	4.9%
Manufacturing	-1.0%	0.9%
Trade, Transportation & Utilities	0.5%	2.4%
Information	5.0%	-0.7%
Financial Activities	5.0%	2.3%
Professional & Business Services	7.2%	5.3%
Education & Health Services	5.2%	2.9%
Leisure & Hospitality	6.2%	2.5%
Government	0.8%	1.7%
Total	3.0%	2.5%

Source: U.S. Bureau of Labor Statistics; Real Estate Center at Texas A&M; ZHA
F:\60008 Tyler Tx\demographics.xls]emp 200506



Over the last 10 years, the number of jobs in the Tyler MSA increased by 14 percent. State jobs increased by 18 percent over the same period.

Employment Trends By Industry
Select Areas
1990, 2000, 2005

Jobs	1995	2005	Change 1990-2000
Tyler MSA	80,110	91,675	14.4%
Longview MSA	86,975	97,417	12.0%
Texas	8,985,635	10,617,319	18.2%

Source: U.S. Bureau of Labor Statistics; Real Estate Center at Texas A&M; ZHA
 F:\60008 Tyler Tx\[demographics.xls]emp growth rate

The most significant long-term job growth in terms of the magnitude and pace of growth in the Tyler MSA has occurred in the health care industry. According to Economy.com employment data, the Tyler MSA's employment in health and social services doubled between 1990 and 2005. Trinity-Mother Frances Hospital and East Texas Medical Center are the two top employers in the Tyler MSA, together employing over 6,800 people.

Employment Trends By Industry
Select Areas
1990, 2000, 2005

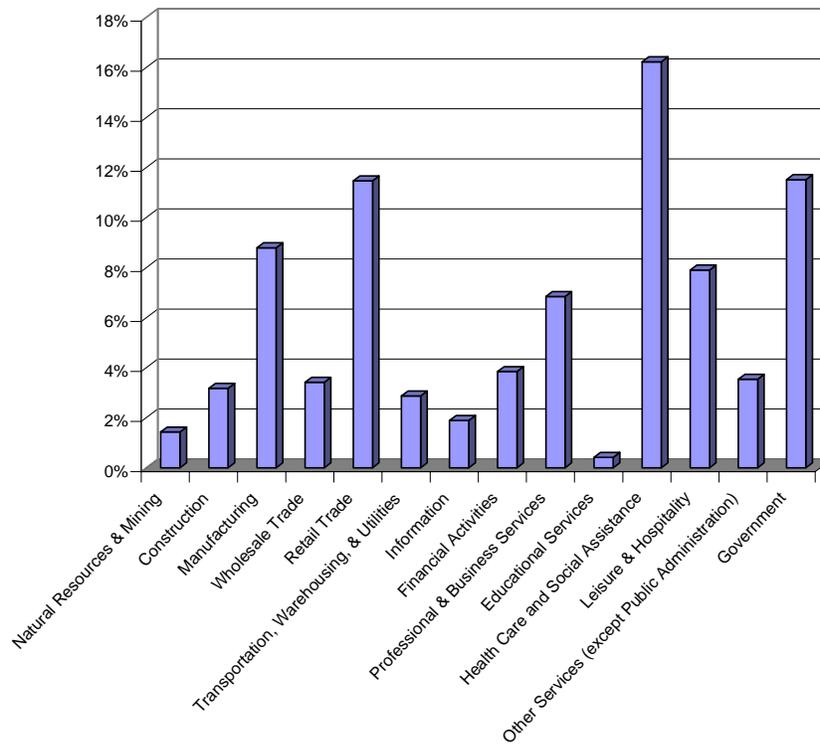
Jobs	<i>000's of Jobs</i>			Annual Ch 1990-2005
	1990	2000	2005	
Natural Resources & Mining	2.00	1.72	1.55	-22.5%
Construction	1.58	3.18	3.45	118.5%
Manufacturing	11.13	11.11	9.54	-14.3%
Wholesale Trade	2.51	3.08	3.71	47.8%
Retail Trade	9.79	13.15	12.44	27.0%
Transportation, Warehousing, & Utilities	1.51	2.76	3.12	106.6%
Information	1.30	1.74	2.06	58.3%
Financial Activities	3.60	4.54	4.17	16.0%
Professional & Business Services	3.84	6.06	7.43	93.3%
Education & Health Services	8.60	14.36	18.07	110.1%
<i>Educational Services</i>	<i>0.23</i>	<i>0.29</i>	<i>0.46</i>	<i>99.5%</i>
<i>Health Care and Social Assistance</i>	<i>8.37</i>	<i>14.07</i>	<i>17.61</i>	<i>110.4%</i>
Leisure & Hospitality	4.54	7.21	8.57	88.8%
Other Services (except Public Administration)	2.43	3.30	3.84	57.9%
Government	9.83	11.63	12.49	27.1%
Total Non-Farm	62.66	83.85	90.44	44.3%
Total				

Source: Economy.com; ZHA
 F:\60008 Tyler Tx\[demographics.xls]employment



Health care industry employment represents 16 percent of metropolitan area employment. The health care industry is complemented by a diverse economic base.

Employment by Industry Tyler MSA 2005



Source: Economy.com; ZHA
F:\60008 Tyler Tx\[demographics].xls\employment

The top 10 employers include health care, education, government, manufacturing, and professional service industries.



**Tyler Top 10 Employers
2006**

Company Name	Product
Trinity Mother Frances	Medical Care
East Texas Medical Center	Medical Care
Brookshire grocery Company	Grocery Distribution Hdqtrs
Tyler Independent School District	Education
Trane Company	Air Conditioning Units
Wal-Mart	Retail
Carrier Corporation	Commercial Air Conditioners
UT Health Center at Tyler	Medical Care
Good Year Tire & Rubber	Passenger Tires
CB&I Howe-Baker	Engineering Contracting

Source: "Tyler Community Profile, 2006"
F:\60008 Tyler Tx\[demographics].xls\top employers

Jobs are projected to continue to increase in the Tyler MSA. In January, 2006 The Perryman Group presented economic forecasts for the Tyler MSA as well as Texas and the Longview MSA. The Perryman Group projected that jobs will increase in the Tyler MSA at an average annual rate of 1.8 percent between 2005 and 2010. Applying this growth rate to 2005 employment as published in the "Tyler Community Profile, 2006" results in approximately 9,000 new jobs by 2010.

**Employment Projections
Tyler MSA and Texas
2005 - 2010**

Jobs	2005	2010	Avg. Annual Change 2005-2010
Tyler MSA	91,675	100,327	1.8%
Texas	10,193,900	11,140,000	1.8%

Source: The Perryman Group, "Perryman Economic Outlook Conference"; ZHA
F:\60008 Tyler Tx\[demographics].xls\emp projections

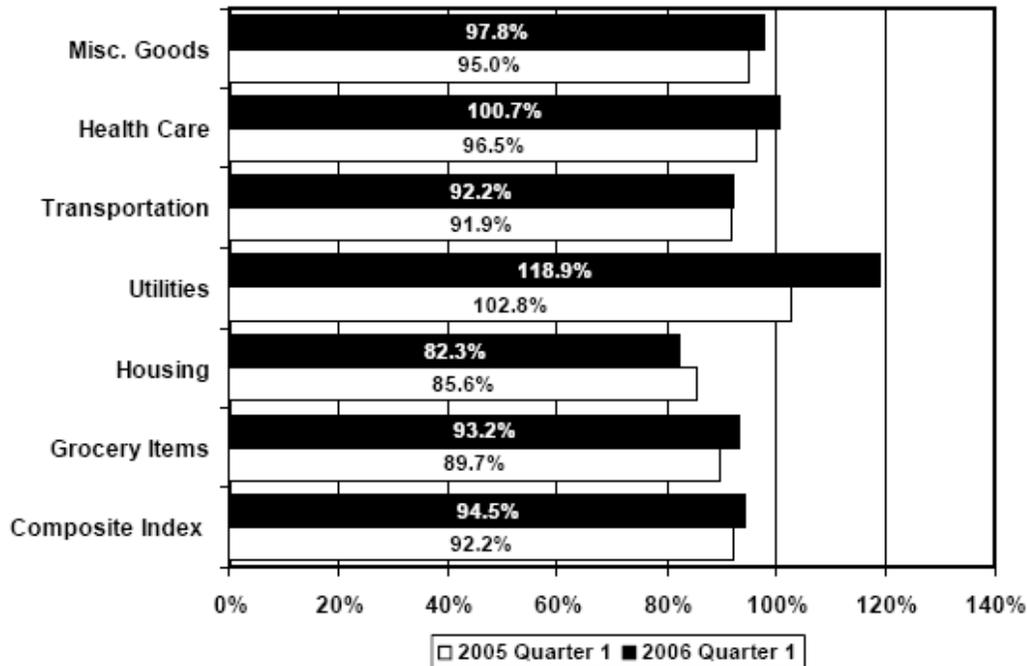
QUALITY OF LIFE

The Tyler economy is attractive to new households and businesses because it is growing and it is affordable. Comparing Tyler's cost of living to the United States average reveals that it is a less expensive location than most in the country. Tyler's ACCRA Index is 95 percent of the United States average.



ACCRA Cost of Living Index

National Average = 100%



SOURCE: ACCRA

Tyler Economic Development Council, Inc. (www.tedc.org)

Particularly inexpensive in Tyler is housing with an ACCRA index of 82 per cent. Tyler's Housing Affordability Index (HAI) is below that of Texas and the nation.

2005 Housing Affordability Index

MLS	2005 Median-Priced Home	Required Income to Qualify	Median Family Income	HAI*	HAI for First-Time Homebuyers**
Tyler	\$124,600	\$28,809	\$50,950	1.77	1.26
Texas Total	\$136,500	\$31,561	\$53,000	1.68	1.14
U.S. Total	\$206,600	\$47,132	\$58,000	1.23	0.68

* The HAI is the ratio of the median family income to the income required to buy the median-priced house using standard mortgage financing at the current interest rate. Standard financing is a fixed-rate, 30-year loan covering 80 percent of the cost of the home. A HAI of 1.00 indicates that the median family income is exactly equal to the required income to qualify for the standard loan to purchase the median-priced house.

** First-time home buyer is assumed to purchase a home equal to the first quartile home price using a 90% home loan at an interest rate 0.5 percent greater than the standard current rate.

Source: Real Estate Center at Texas A&M University

According to an annual survey by the Municipal League, the City of Tyler's property tax rate is the lowest among all mid- to large-sized cities in Texas. The City's property tax rate in 2005-2006 was \$2.16 per \$100 of valuation (\$.2384 for the City of Tyler, plus \$1.54 for Tyler I.S.D., \$.1272 for Tyler Junior College, and



\$.2545 for Smith County). For 2006-2007, the City of Tyler has lowered the tax rate to \$.2237 per \$100 of valuation.

Economic vitality and affordability are key contributors to Tyler's economy as well as Tyler's overall quality of life. From an educational perspective Tyler contains a strong school system as well as the University of Texas at Tyler, Texas College and Tyler Junior College. From a cultural perspective, Tyler is known for its roses, historic districts, museums, and performing arts venues.

ECONOMIC FRAMEWORK CONCLUSIONS

Tyler is the economic and cultural center of East Texas. Tyler is the center of a region that expands well beyond Smith County. Tyler's influence expands to Anderson, Cherokee, Gregg, Henderson, Rusk, Upshur, Van Zandt, and Wood counties.

Tyler's economy is strong and diversified. Growth continues both in population and employment. Tyler is well positioned to attract investment in the future.

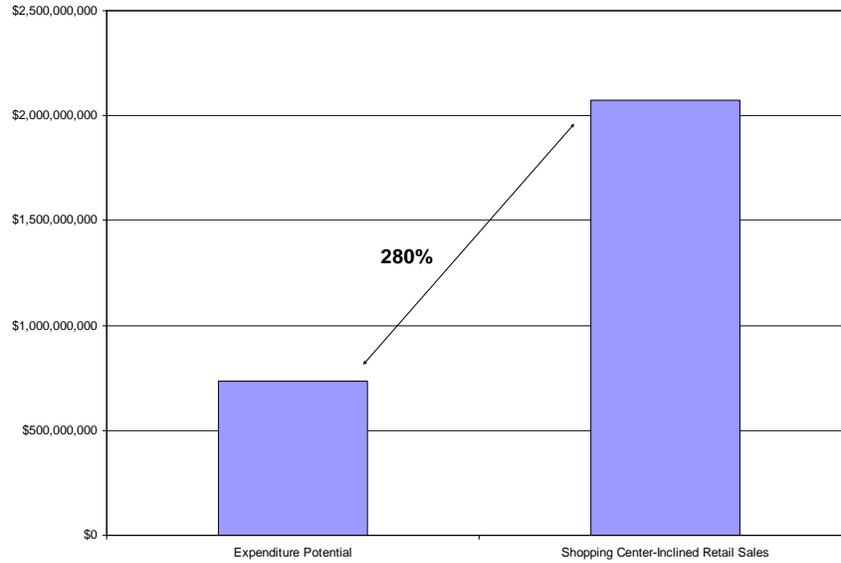
RETAIL MARKET ANALYSIS

EXISTING CONDITIONS

The City of Tyler is the retail hub of the region. As the table below illustrates, the City of Tyler's shopping center-inclined retail sales are over two-and-a-half times what would be expected from City residents' buying power. Shopping center-inclined retail includes retail store types typically found in shopping centers like apparel, music, books, department stores, restaurants. Basically, shopping center-inclined retail includes all store types except automobile sales, gasoline service station sales, or non-store retail establishments.



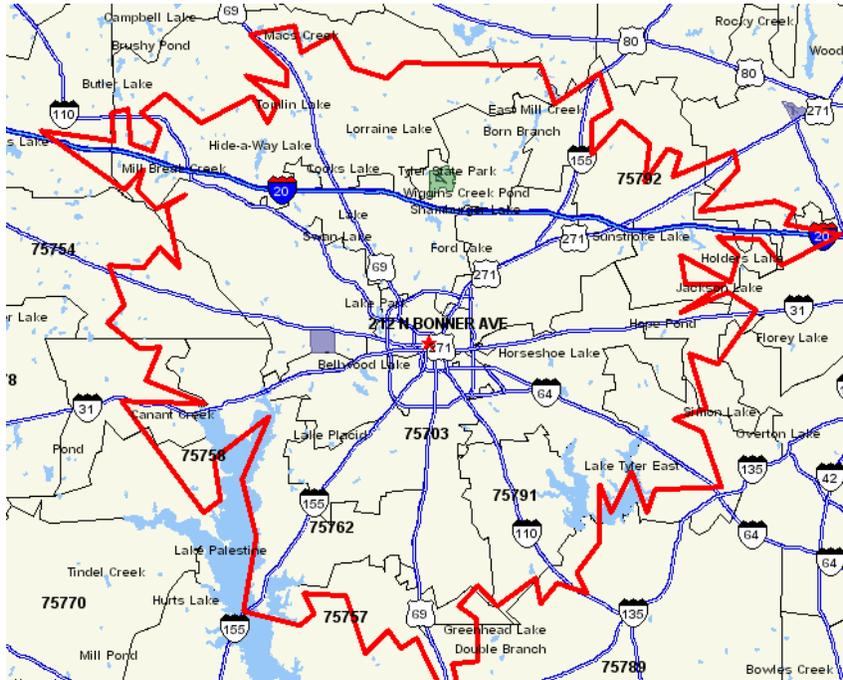
Shopping Center-Inclined Expenditure Potential versus Sales City of Tyler 2005



What this data indicates is that Tyler is a shopping destination for the region. In fact, the City captures approximately 80 percent of the shopping center-inclined sales within a half an hour's drive time to Downtown Tyler.

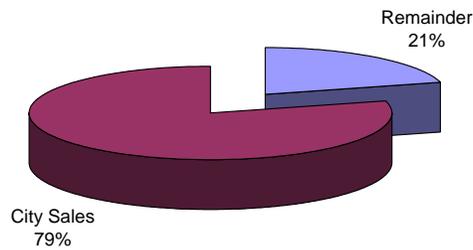


30-Minute Drive Time Boundary Downtown Tyler



Source: Microsoft MapPoint; ZHA, Inc.

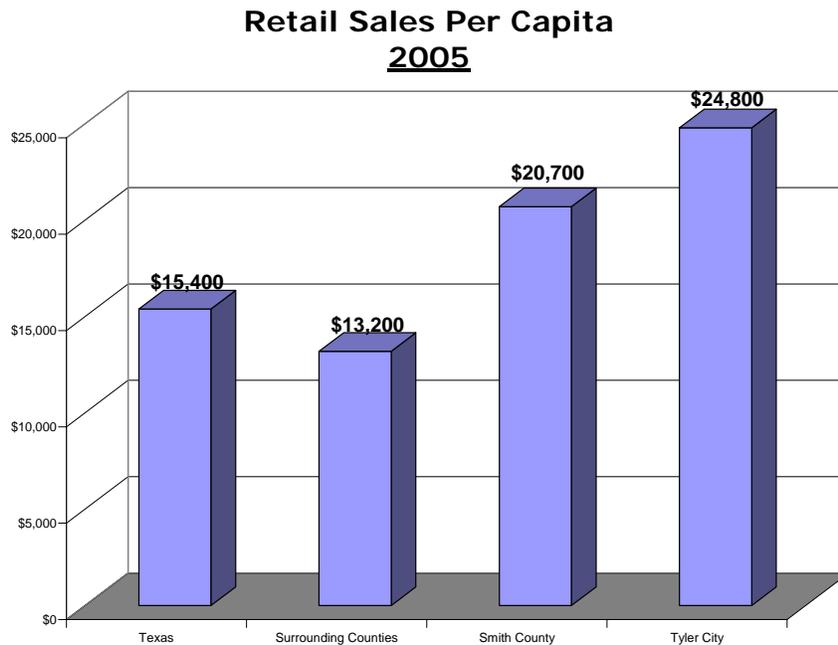
City Share of Shopping Center-Inclined Retail Sales 30-Minute Drive Time





City sales represent almost half of the retail expenditure potential for the region containing Anderson, Cherokee, Gregg, Henderson, Rusk, Upshur, Van Zandt, Wood, and Smith counties.

As compared to the state as well as the surrounding counties of Anderson, Cherokee, Gregg, Henderson, Rusk, Upshur, Van Zandt, Wood, and Smith, the City of Tyler has high average retail sales per capita.

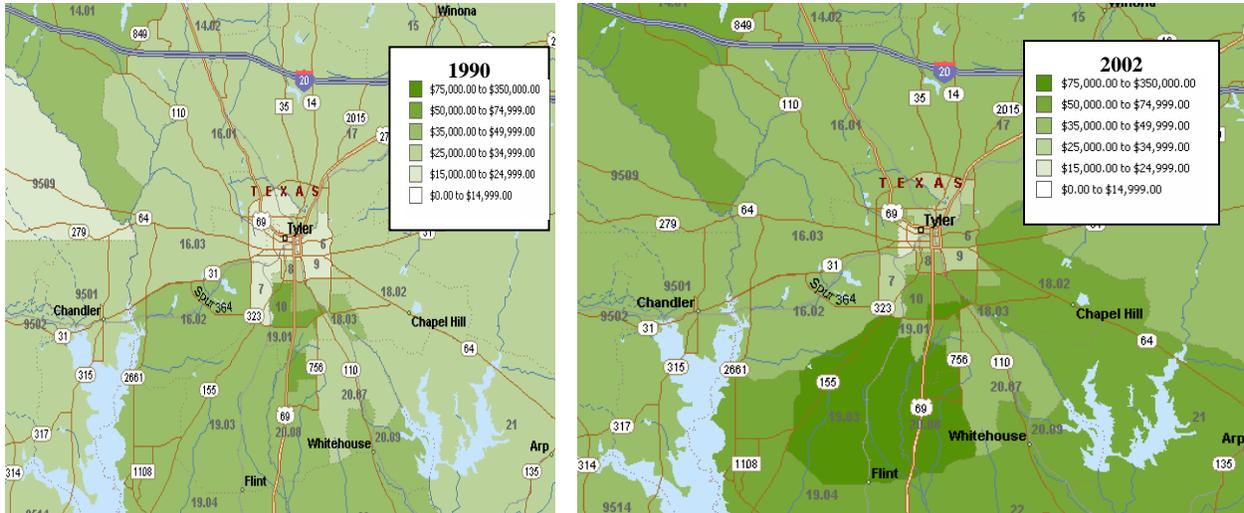


Assumes City population at 101,400

Source: Sales, Marketing and Management, "2005, Survey of Buying Power" retail tables/sales per capita

Most of the retail sales in the City of Tyler are occurring outside of Downtown Tyler on major thoroughfares like Loop 323 and Broadway Avenue.

In general, retail has followed household and income growth to the south of the downtown. From a retail perspective, the 100 percent corner in Tyler is at Loop 323 and South Broadway. This location is accessible to high income households and growth areas.



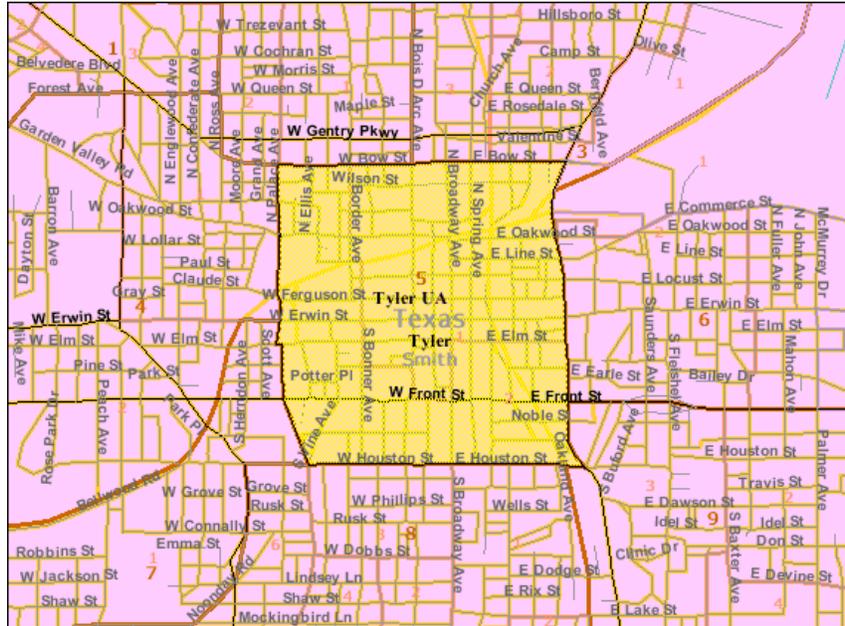
Source: ZHA; Microsoft MapPoint

There are over 3 million square feet of retail space in Tyler. According to Burns and Noble's "2006 Tyler Retail Market Survey," there are 2.47 million square feet of retail space in 40 strip centers in Tyler. These strip centers, which range in size from 16,000 square feet to 215,000 square feet, are over 90 percent occupied. Over 95,000 square feet of retail was absorbed in these centers over the last year which is double the average absorption from a year ago. Taylor Burns is quoted in the survey as saying, "The Retail segment of the Tyler real estate market continues to show exceptional strength." Newer retail centers are obtaining rents of \$20.00-plus.

In addition, to the strip centers is the Broadway Square Mall at 622,980 square feet on the corner of Loop 323 and South Broadway. The Mall is anchored by a Dillard's, Sears, and J.C. Penney. The Mall also contains Anne Taylor Loft, Old Navy, Eddie Bauer, and other retailers.

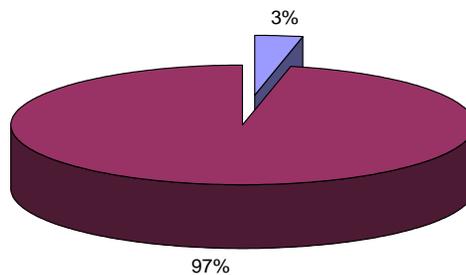


Census Tract 5 Boundaries "Downtown Tyler"



Downtown Tyler as defined by Census Tract 5 (see map) is capturing a small share of the City's shopping center-inclined retail sales, only 3 percent.

Downtown's Share of City's Shopping Center-Inclined Retail Sales

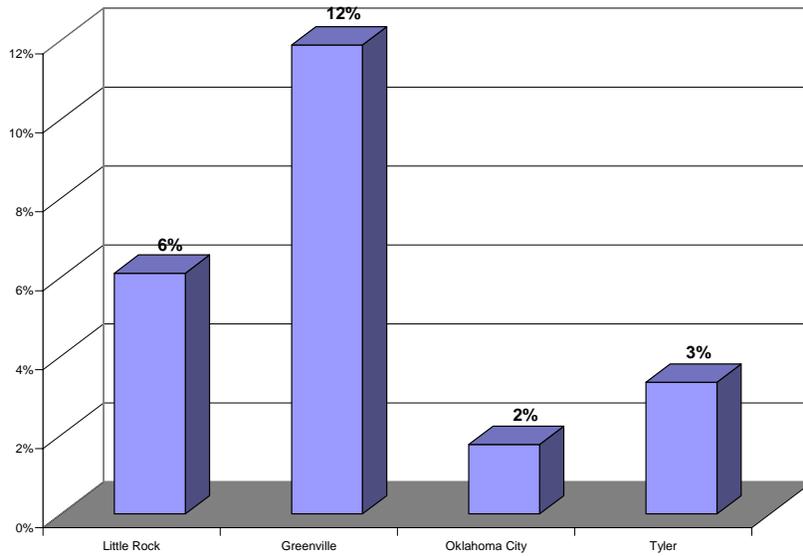


■ Downtown Sales ■ City Sales



The following charts illustrate downtown sales as a percentage of city retail sales in other cities.

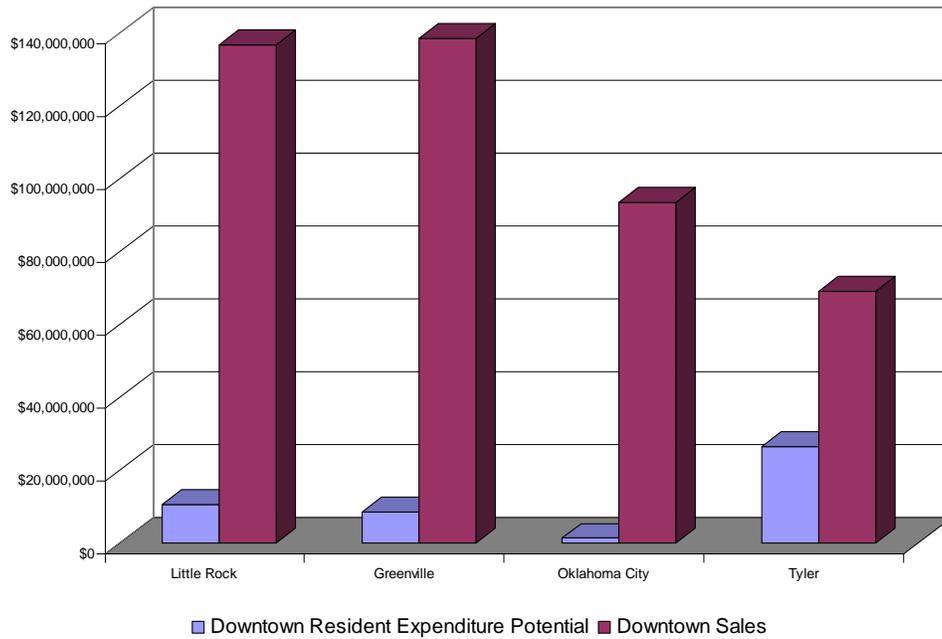
**Downtown Share of City's Shopping Center-Inclined Retail Sales
Comparable Cities**



Retail sales are a function of nearby resident spending, regional household spending, downtown employment, and tourism. As the following data illustrate, Downtown Tyler is not experiencing the magnitude of regional household patronage, employee spending, and/or tourism spending as experienced in the comparable downtowns.



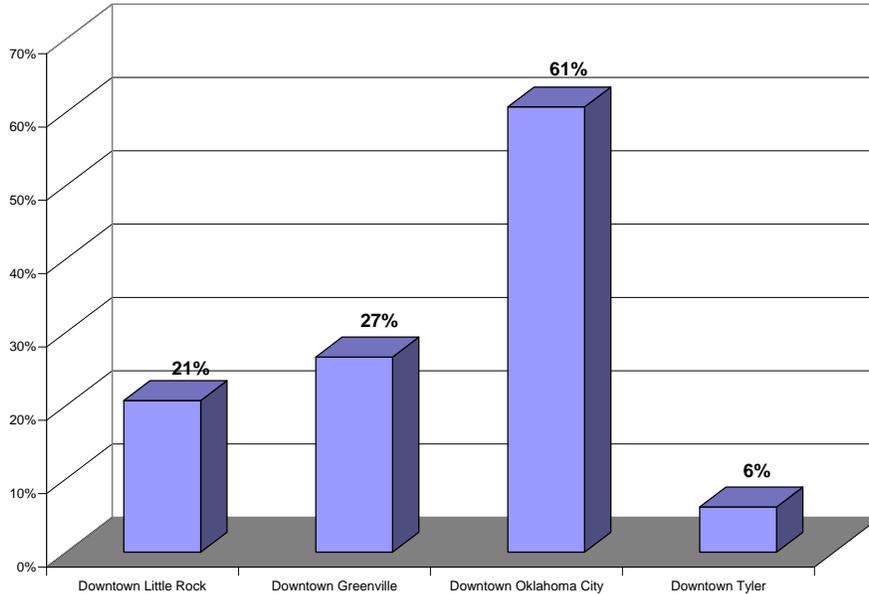
Downtown Resident Expenditure Potential Versus Downtown Sales Comparable Cities



Low retail sales inflow is a function of the land use mix in downtown Tyler. Downtown Tyler really is not the cultural center of the City of Tyler. As the data below indicates, eating and drinking sales, as a percentage of total downtown sales, is very low in Tyler as compared to downtown Little Rock, Greenville, and Oklahoma City.



Eating and Drinking Sales Share of Shopping Center-Inclined Retail Sales Comparable Downtowns



Downtown retail development potential is largely dependent on the role of the downtown in the region. Downtown Oklahoma City is the state capital of Oklahoma. Downtown Oklahoma City (including Bricktown), contains the State Capitol, a major medical complex (Oklahoma Health Center), the Cox Business Services Convention Center, the Civic Center Music Hall, a new state of the art City Library and Learning Center, a AAA baseball stadium, the Ford Center Arena, and eating and entertainment attractions.

Downtown Greenville has the Peace Center for the Performing Arts (which contains four performing arts venues), the 16,000-seat Bi-Lo Arena (which accommodates hockey, concerts, and consumer shows), luxury full service hotels (the Westin Poinsett and the Hyatt Regency), Falls Park (which is part of a City Riverwalk Park System), and the West End Historic District.

Downtown Little Rock is the state Capital of Arkansas. The downtown contains the River Market District (the location of the Clinton Presidential Library), two convention facilities with full service hotels, museums, restaurants, and entertainment.

Downtown Tyler is the county seat. It is currently functioning primarily as a government center with the captive employee market supporting eating and drinking establishments and limited retail. There are very few regional attractions located in Tyler's downtown.



RETAIL POTENTIAL

As a regional center, Tyler's primary trade area is likely within a 30-minute drive. Typically, the primary trade area accounts for 60 to 80 percent of a center's sales. Because of its unique position, as the center of a relatively rural, under-served eastern Texas region, the Primary Trade Area likely represents between 65 to 70 percent of Tyler's retail sales. The Secondary Trade Area incorporates the surrounding counties of Anderson, Cherokee, Gregg, Henderson, Rusk, Upshur, Van Zandt, and Wood.

Growth immediately surrounding Tyler and in East Texas will generate demand for additional retail. Over the next five years, growth will support an additional 520,000 to 580,000 square feet of shopping center-inclined retail. This represents an average annual increase of 105,000 to 117,000 square feet per year, which is close to what was absorbed in Tyler in 2005.

New Retail Potential Tyler MSA 2010					
	2010				
Tyler MSA					
Net New Population (2005-2010)		17,500			
Per Capita Income		<u>\$24,763</u>			
Total New Income		\$433,352,500			
Total Retail Expenditure Potential		<u>\$265,388,488</u>			
Shopping Center-Inclined Retail Expenditure Potential		\$165,142,584			
	Expenditure Potential	MSA Trade Area Capture		Net Expenditure Potential	
Furniture & Home Furnishings	\$6,582,534	70%	-	\$4,607,800	\$5,266,000
Electronics and Appliances	\$5,902,130	70%	-	\$4,131,500	\$4,721,700
Building Material and Supply	\$25,799,352	85%	-	\$21,929,400	\$24,509,400
Food and Beverage	\$32,061,889	90%	-	\$28,855,700	\$30,458,800
Health and Personal Care	\$15,143,137	90%	-	\$13,628,800	\$14,386,000
Apparel and Accessories	\$11,886,964	70%	-	\$8,320,900	\$9,509,600
Sporting Goods, Hobby, Books & Music	\$4,997,921	70%	-	\$3,498,500	\$3,998,300
General Merchandise	\$33,333,420	70%	-	\$23,333,400	\$26,666,700
Miscellaneous	\$6,801,883	70%	-	\$4,761,300	\$5,441,500
Eating and Drinking	\$22,633,353	70%	-	<u>\$15,843,300</u>	<u>\$18,106,700</u>
Net Potential				<u>\$128,910,600</u>	<u>\$143,064,700</u>
Surrounding Counties @ 30 % Sales				<u>\$41,093,300</u>	<u>\$61,313,400</u>
Total Potential Expenditures				\$184,158,000	\$204,378,143
Total Potential Square Feet @ \$350 Sales per Square Foot				526,200	583,938
			<i>Avg. Ann. SF</i>	105,240	116,788

Source: Claritas, Inc.; ZHA, Inc.
F:\60008 Tyler Tx[demographics.xls]retail



Developers will continue to seek development opportunities where household growth is happening. Most of the City's growth will occur outside of the Loop.

DOWNTOWN RETAIL POTENTIAL

If growth continues to move to the south and the downtown's role within the regional marketplace stays the same as it is today, downtown Tyler's prospects for retail development are not good. Under status quo conditions, where the downtown is simply a government center with few additional anchors to attract regional visitation, the downtown's potential is severely constrained by the following factors:

- Household growth is occurring further and further away from the downtown and resident serving retail follows household growth;
- The downtown is not central to upper income households, in fact, upper income households are mostly located to the south, placing the downtown on the edge of that market;
- The downtown has lost its prominence as a shopping destination, making it particularly difficult to *re*-attract the market.
- Regardless of demographics, the downtown's physical and functional retail environment cannot compete effectively against new pedestrian-oriented retail products.

As is illustrated in the comparable cities, retail potential can be significant when a vital downtown economy is created. In the comparable cities, the downtowns are attracting over ten times the expenditure potential of the downtown residents' spending potential. In addition, in revitalizing downtowns a significant share of the retail sales are in eating and drinking establishments. A revitalized downtown offers an opportunity to support a retail tenant mix very different from suburban locations. Such diversity within the retail market enhances a city's economic development potential because it is able to satisfy a broader array of business/employee/resident tastes and preferences.

If the downtown evolves into the "cultural and social center" of East Texas, there is no reason it should not successfully penetrate the regional retail market. The comparable cities' experiences demonstrate the pulling power of a vital downtown. A capture of 10 percent of the shopping center-inclined retail expenditure potential would support an additional 50,000 to 60,000 square feet of retail downtown. Approximately one quarter of this space would likely be in eating and drinking establishments.



RETAIL MARKET CONCLUSIONS

To compete effectively for retail investment, the downtown must re-invent its role in the city and regional economy. The downtown must become a destination through social, recreational, cultural, and tourism-related investments. Only with regional drawing power, nighttime activity, successful private investment, and marketplace “buzz” will significant retail investment occur in the downtown. Retail follows growth; realistically other investments must occur and prove successful before meaningful retail investment will happen.

RESIDENTIAL MARKET ANALYSIS

INTRODUCTION

The residential market analysis identifies the demand for new housing in downtown Tyler over the next ten years. It also identifies the type of housing demanded in the downtown.

The demand for new housing does not rely *only* on new households moving into the area. New housing demand comes from two sources: households moving into the area and existing households moving into new residential units. Existing households move into new units to “move up” in housing product or they move into new housing units because their housing needs have changed due to the changing nature of their day to day life. An example of the changing nature of life would be moving from the traditional family household with two parents and children at home to an empty nest environment where the children have left the family home and are living independently. Often different housing products appeal to different stages of life.

The residential market analysis will first address the housing demand generated from households moving into the Tyler MSA. The residential market analysis will then address the potential demand for new housing among existing residents.



WHO LIVES HERE NOW

One way to understand households in the region is to evaluate lifestage and lifestyle data. This type of data classifies households on the basis of not only age, income, and household type, but groups households by their household characteristics and purchasing patterns, financial behavior, and demand for products and services.

The "Lifestage" classification breaks households down by age and stage of life (for example, young and single or families with children at home). Within each "Lifestage," households are divided into groups reflecting social and economic characteristics ("lifestyle"). Each group is defined as follows:

The "Younger Years" group represents singles and couples without children at home. Within the "Younger Years" group are the following household types:

- *"Mid-Life Success" households* are childless singles and couples in their 30s and 40s who have high incomes.
- *"Young Achievers"* are "twentysomethings" who typically rent their housing, are progressive, and either have a job or attend college or graduate school.
- *"Striving Singles"* are "twentysomethings" who have low income, attend college, and live in very inexpensive accommodations.

The presence of children is the defining characteristic of the "Family Life" group. Within the "Family Life" group are the following household types:

- *"Accumulated Wealth"* households are the wealthiest families, mostly college-educated, white-collar Baby Boomers living in large homes.
- *"Young Accumulators"* are slightly younger and less affluent than Accumulated Wealth households. Ethnically diverse, these households typically have college educations and work a mix of white-collar managerial and professional jobs.
- *"Mainstream Families"* are middle- and working-class households with children. These households live in modestly-priced homes and rank high for owning three or more cars.
- *"Sustaining Families"* are the least affluent of Family Life groups. Ethnically mixed, most adults hold blue-collar and service jobs, earning wages that relegate their families to small, older apartments and mobile homes.



Americans in the “Mature Years” tend to be over 45 years old without children at home. Within the “Mature Years” group are the following household types:

- *“Affluent Empty Nesters”* are upscale couples without children at home who are college educated, hold executive and professional positions, and are over 45.
- *“Conservative Classics”* are childless singles and couples who are college educated, over 55 years old, upper-middle-class, and live in older suburban homes.
- *“Cautious Couples”* are an over-55-year-old mix of singles, couples and widows who are typically working-class and white, with some college education and a high rate of homeownership.
- *“Sustaining Seniors”* are older, economically-challenged Americans with modest educational achievement.



**Households Moving By Lifestage and Lifestyle
Texas, Surrounding Region and Tyler MSA
2005**

	Texas	Surrounding Region /1	Tyler MSA
YOUNGER YEARS	28.8%	26.6%	29.8%
Midlife Success	10.6%	4.7%	6.2%
Young Achievers	7.6%	1.4%	4.9%
Striving Singles	10.6%	20.5%	18.7%
FAMILY LIFE	33.3%	22.1%	27.3%
Accumulated Wealth	4.5%	0.2%	0.9%
Young Accumulators	10.6%	3.8%	6.7%
Mainstream Families	12.1%	11.7%	12.9%
Sustaining Families		6.5%	6.8%
MATURE YEARS	37.9%	51.2%	42.9%
Affluent Empty Nesters	6.1%	3.9%	6.0%
Conservative Classics	10.6%	9.2%	10.7%
Cautious Couples	10.6%	16.5%	13.2%
Sustaining Seniors	10.6%	21.7%	13.0%

1. Surrounding counties of Anderson, Cherokee, Gregg, Henderson, Rusk, Upshur, Van Zandt, Wood.

Source: Claritas, Inc; ZHA, Inc.

F:\60008 Tyler TX\prizm characteristics smith.xls]Sheet1

As a share of total households, surprisingly there are more families with children at home in the Tyler MSA than in the region surrounding the MSA. As would be expected in an urbanized area, the Tyler MSA has a higher share of young households without children as compared to the surrounding region. Most of these younger households are in the “striving singles” category, which means they have relatively low income. Older households without children at home represent approximately 43 percent of the households in the Tyler MSA.

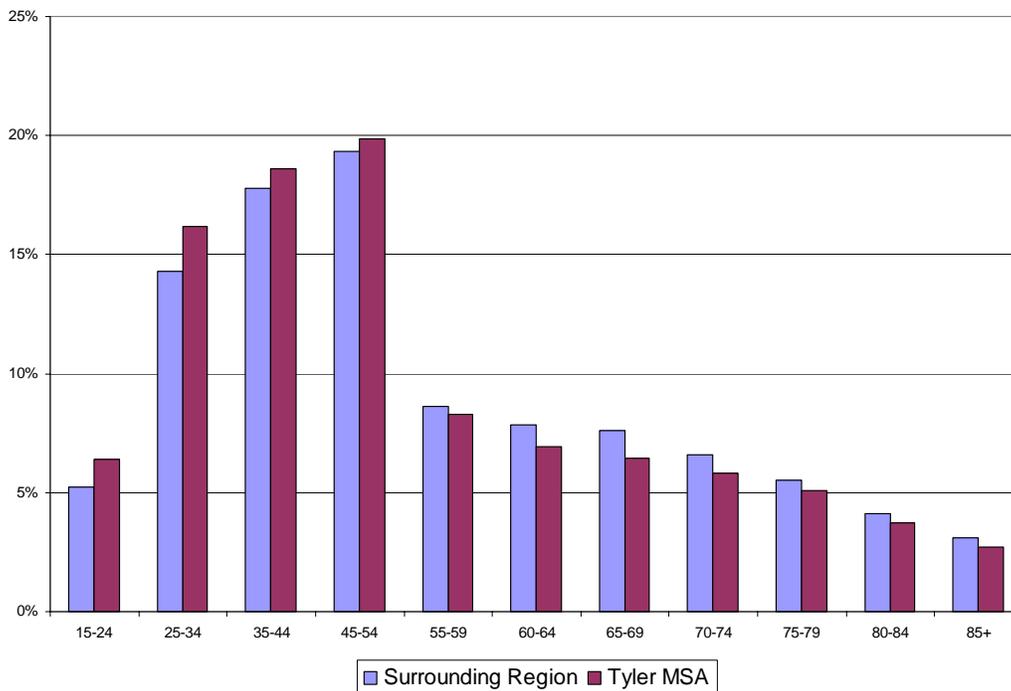
There are certain household types with tastes and preferences conducive to an urban, rather than suburban, lifestyle. We term these households “urban-inclined.” Target household types include urban-inclined: young, single person households; young childless couples; single parent households; empty nester households; and ethnic households. ZHA uses the lifestage and lifestyle data provided by Claritas, Inc. to identify the potential market for downtown living.



There are currently 30,350 households in the Tyler MSA that could potentially be interested in living in a downtown environment and another 53,300 households in the region. According to Claritas, Inc. there are currently 830 households in the downtown as defined by Census Tract 5. The downtown is capturing less than 3 percent of the urban-inclined MSA market. This could be a function of demand, but more likely it is a function of the residential supply available downtown and downtown's existing function as primarily an employment center.

The age distribution among the heads of households in the Tyler MSA and the surrounding region is consistent with the lifestage data. Households within the Tyler MSA tend to be younger than those in the surrounding region.

Head of Household Age Tyler MSA and Surrounding Counties 2005



Source: Claritas, Inc.; ZHA, Inc.
Smith county age income test/chart age 2

One-quarter of the households in Smith County and the region are single person households.



**Household Type
Selected Areas
2005**

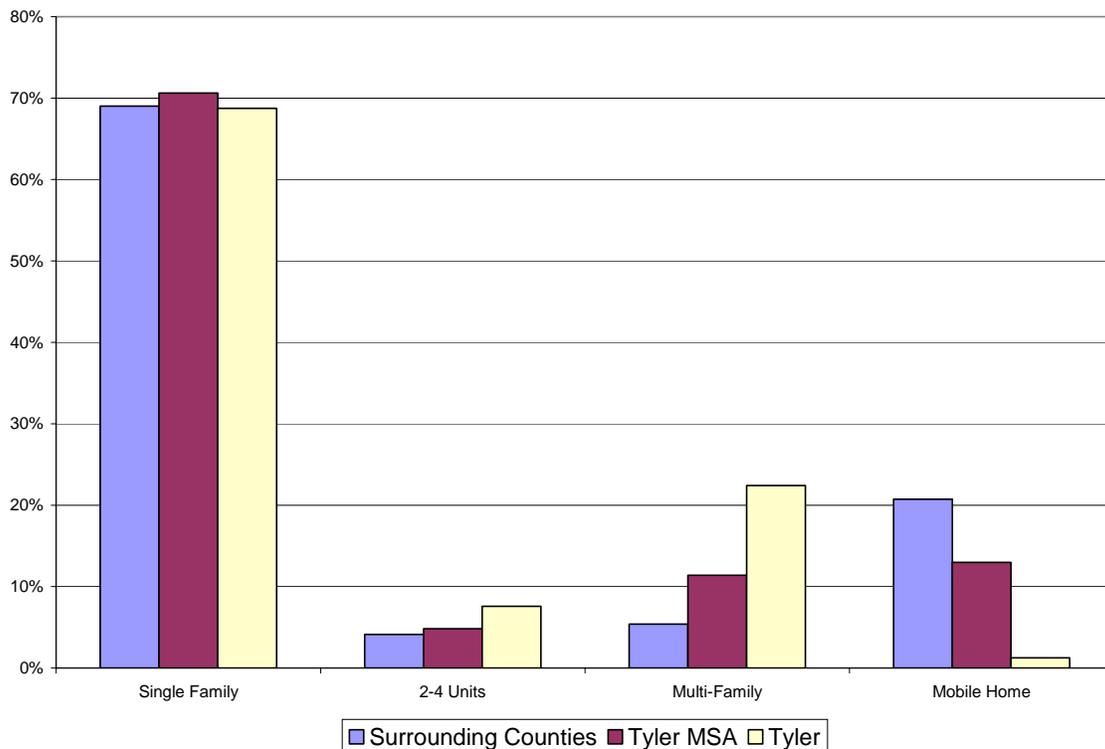
2005							
Area	Single Person Hshld	Married, Kids	Married, No Kids	Other Family Hshld, Kids	Other Family Hshld, No Kids	Non Family	Total
Tyler MSA	25%	24%	31%	9%	7%	4%	100%
Surrounding Region	25%	23%	34%	8%	7%	3%	100%
Texas	24%	27%	27%	10%	7%	6%	100%
United States	31%	26%	26%	6%	3%	8%	100%

Source: Claritas, Inc.; ZHA, Inc.
F:\60008 Tyler Tx\[smith county hshld type.xls]Sheet1

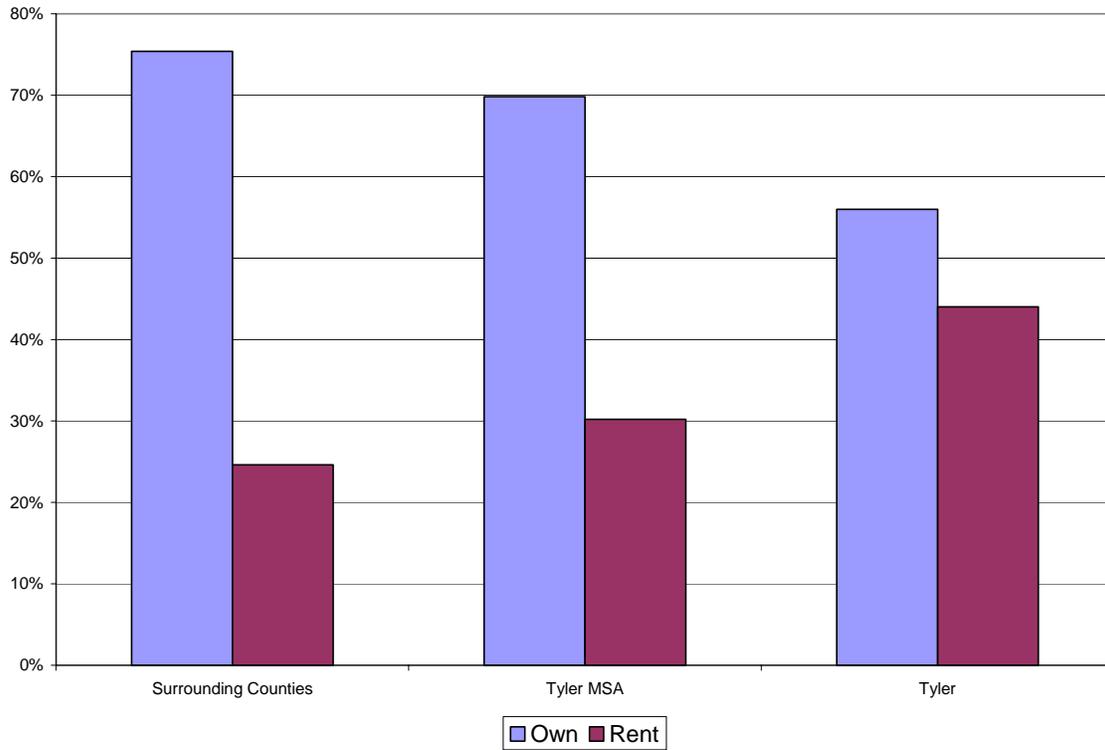
EXISTING RESIDENTIAL STOCK AND RESIDENTIAL DEVELOPMENT TRENDS

Housing in the region, the metro area, and Tyler is predominantly single family. Multi-family units represent over 20 percent of the housing stock in the City.

**Housing Unit Type
Tyler MSA and Tyler City
2005**



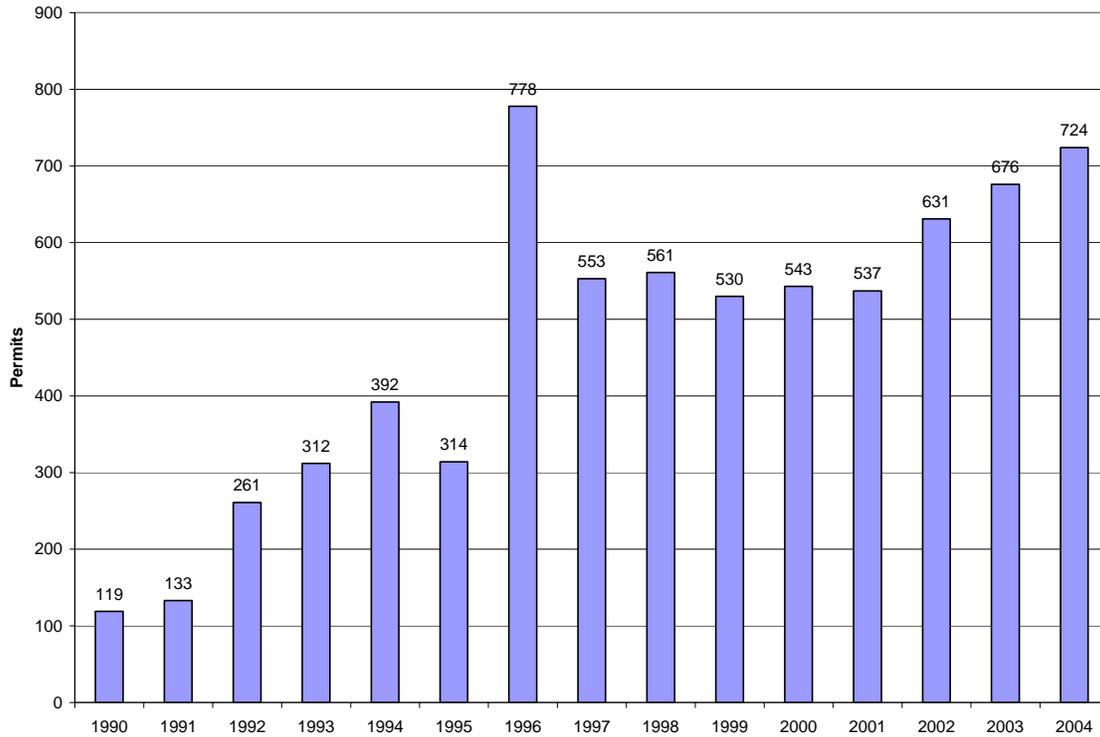
Approximately 45 percent of the city's housing units are rental, as compared to 30 percent in the metro area.



Residential building permits have been increasing over the last couple of years in the Metro Area. Over 3,640 residential units were permitted between 1999 and 2004.

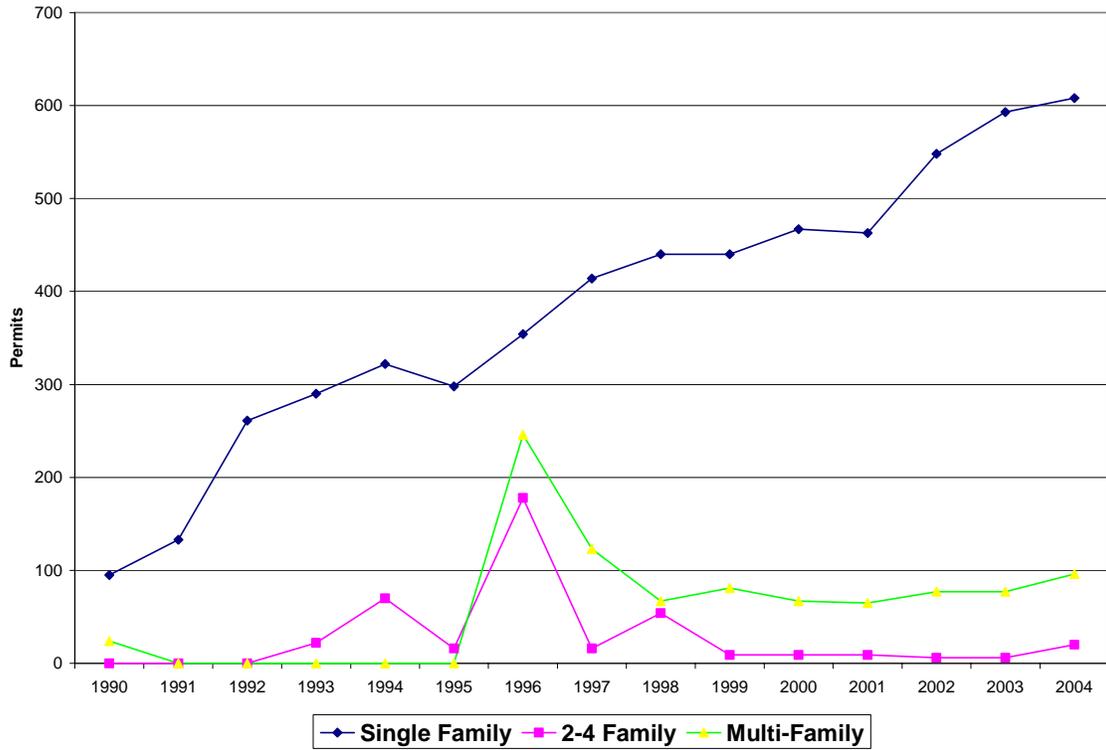


**Residential Building Permits
Tyler MSA
1990 - 2005**



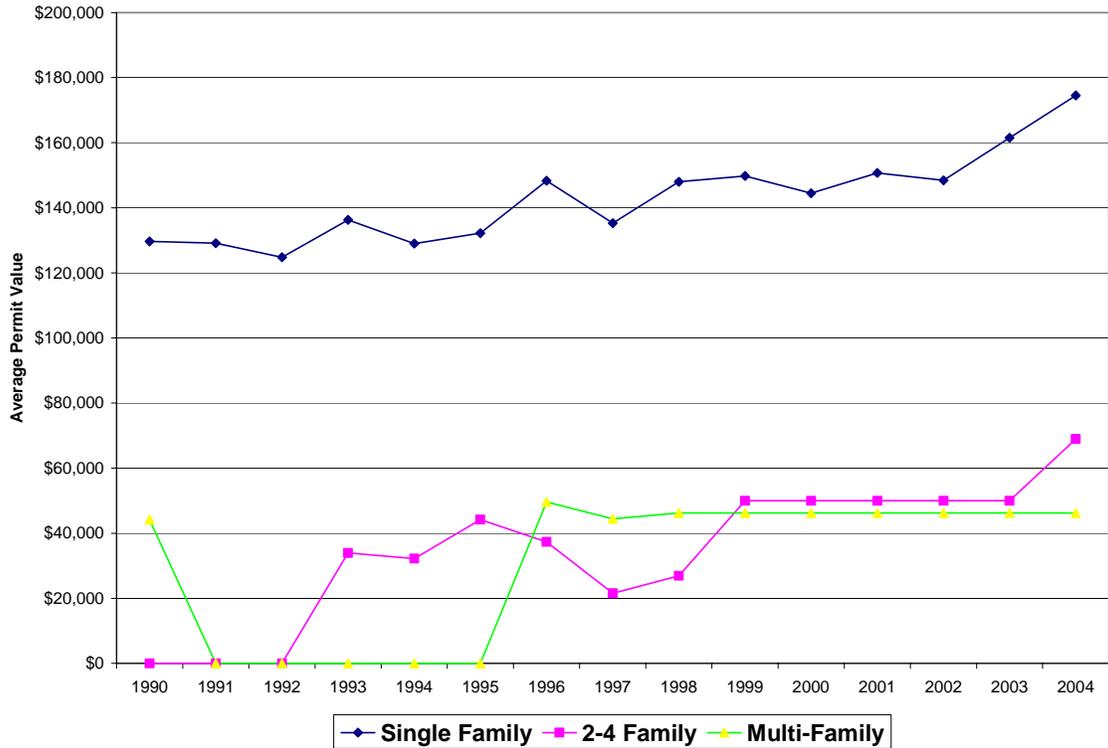
Source: Real Estate Center at Texas A & M; ZHA
Buildingpermitinfo/building permit trends

As the table below illustrates, the vast majority of the Metro Area's residential building permits are for single-family homes. In 2004, single family permits represented 84 percent of total residential building permits.



Source: Real Estate Center at Texas A & M; ZHA
Buildingpermitinfo/sf vs multi

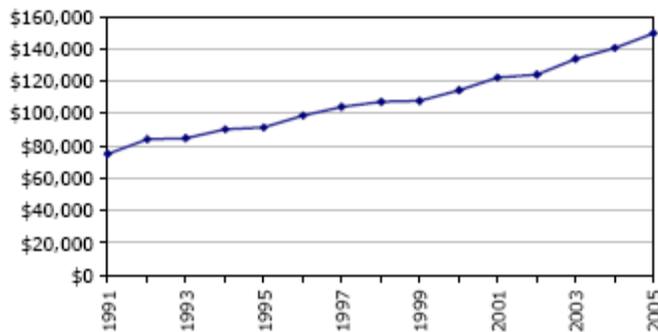
The value of the single-family homes permitted has been increasing steadily, while multi-family values have remained relatively constant.



Source: Real Estate Center at Texas A & M; ZHA Buildingpermitinfo/value

Average home sale prices have been increasing in Tyler. According to the Real Estate Center at Texas A&M University, the average home sale price in the Tyler area almost doubled between 1990 and 2004. Tyler is consistent with the national average, with approximately 4.8 percent of the area’s households moving per year.

Average Sales Price of Single-Family Home
Tyler Area



Source: Real Estate Center at Texas A&M University



According to the Real Estate Center at Texas A&M University, the average sales price has increased by 20 percent over the last three years. Housing value appreciation over the last five years is a function of household growth as well as historically low mortgage interest rates.

Tyler	2002	2003*	2004	2005
Total Sales	2,076	2,113	2,960	3,331
Average Sales Price	\$124,400	\$133,700	\$140,600	\$149,700

*Dec-not available
Source: Real Estate Center at Texas A&M University

Tyler is consistent with the national average with approximately 4.8 percent of the area’s households moving per year. The median sale price of a home in the Tyler MSA was \$124,600 in 2005. Tyler’s median priced-home is below the state (\$136,500) and national (\$206,600) average.

URBAN INCLINED RESIDENTIAL MARKET (NEW HOUSING)

New Households 2005-2010

Household growth is projected to continue to be strong through 2010 in Tyler and the Tyler Region. The Tyler Metropolitan Area is projected to grow by 6,600 households over the next five years. The surrounding counties of Anderson, Cherokee, Gregg, Henderson, Rusk, Upshur, Van Zandt and Wood are projected to grow by 8,800 households.

	2005	2010	Change	Avg. Annual Change 2005-2010
Tyler MSA	71,860	78,460	6,600	1.8%
Tyler Region	175,884	184,705	8,821	1.0%

Source: Claritas, Inc.; ZHA
F:\60008 Tyler Tx\[residential tables.xls]hshld projection

Household-by-type projections indicate that 30 percent of the Tyler MSA’s new households will have children at home (married households with children at home and other family households with children at home). Seventy percent or more of the households new to the metro area and region will be singles or couples with no children at home.



**Net New Households By Household Type
Tyler MSA and Surrounding Counties
2005 to 2010**

2005 - 2010							
	Single Person Hshld	Married, With Children at Home	Married, No Children at Home	Other Family Hshld, With Children at Home	Other Family Hshld, No Children at Home	Non Family	Total
Tyler MSA	1,870	1,490	1,990	450	330	460	6,600
<i>Share of County Total</i>	28%	23%	30%	7%	5%	7%	
Surrounding Counties	2,650	1,730	2,940	480	340	690	8,830
<i>Share of State Total</i>	30%	20%	33%	5%	4%	8%	

Source: Claritas, Inc.; ZHA, Inc.
F:\60008 Tyler Tx\[residential tables.xls]proj household type

Claritas does not project lifestage and lifestyle data. Using the existing distribution of households by lifestage and lifestyle as a proxy for new households, approximately 39 percent of those moving to the Tyler MSA may be attracted to a downtown living environment. Given the surrounding region's household characteristics, approximately 30 percent of its new households have urban-inclined tastes and preferences. These households tend to be young and single and/or empty nester households.

**New Urban-Inclined Households
Surrounding Region and Tyler MSA
2005 - 2010**

	Surrounding Region	Tyler MSA
New Households 2005-2010	8,830	6,600
Urban-Inclined Households	2,670	2,820
Urban-Inclined Share of Total Households	30%	39%

Source: Claritas, Inc.; ZHA, Inc.
F:\60008 Tyler Tx\[residential tables.xls]new urban

Using this methodology, 60 to 70 percent of the new households to the Tyler area are more attracted to a non-urban setting.

Among current Tyler MSA households, just over half can afford to rent or buy a new residential unit. ZHA assumed that a household would require an income of at least \$50,000 to rent a new apartment and \$75,000 to buy a home. New households moving into the Tyler area are mobile and are likely to possess a stronger income profile than the resident. To be conservative, however, ZHA has used the



income profile of existing residents in the Tyler MSA and surrounding region as a proxy for new households.

Among the new households moving to the Tyler MSA and the surrounding region that are urban-inclined, approximately 3,000 could afford a new downtown residential unit.

**New Urban-Inclined Households Who Cannot Afford A New Unit
Surrounding Region and Tyler MSA
2005 - 2010**

	Surrounding Region	Tyler MSA
Urban-Inclined Households	2,670	2,820
Urban-Inclined Households Who Can Afford A New Unit	1,330	1,590
Share of Urban-Inclined Households	50%	60%

Source: Claritas, Inc.; ZHA, Inc.
F:\60008 Tyler Tx\[residential tables.xls]new urban afford

Among the urban-inclined households that can afford a new unit in the Tyler Metro Area, the biggest market segment is the “empty nester” group, which is typical. The young singles and couples are a relatively large group in the Tyler MSA. Note that urban-inclined families (560 in the Tyler MSA and 280 in the surrounding region) do not on average have the income to afford a new unit. They are, however, an important downtown market.

**Urban-Inclined Households That Are Moving In Next 5 Years
Tyler MSA and Tyler Region
2005-2010**

	Surrounding Region		Tyler MSA	
New Urban Inclined That Can Afford A New Unit	1,330		1,590	
Young & Footloose	179	13%	496	31%
Urban-Inclined Families	0	0%	0	0%
Empty Nesters	1,152	87%	1,098	69%

Source: Claritas, Inc.; ZHA, Inc.
F:\60008 Tyler Tx\[residential tables.xls]new afford by type

There is significant downtown housing potential from households moving into the Tyler area.



Existing Households Moving

On average, approximately 25 percent of an area's households will move in a five-year time frame. However, different household types have different "move rates." For example, approximately 29 percent of middle income single households have moved over the last five years, while only 16 percent of upper income households in their 60s have moved within five years.

Given the various household types present within the Tyler MSA market, approximately 17,780 existing households will be moving *within* the Metro market between 2005 and 2010 and approximately 40,000 within the Tyler region. A proportion of these households will purchase new homes.

There are currently 30,450 households that are "urban inclined" in the Tyler MSA. Target household types include urban-inclined: young, single person households; young childless couples; single parent households; empty nester households; and ethnic households. Another 53,300 regional households possess the characteristics consistent with downtown living. The Tyler region includes Longview.

**Urban-Inclined Households
Tyler MSA and Tyler Region
2010**

	Tyler Region	Tyler MSA
Total Households 2010	184,710	78,460
Urban-Inclined Households	53,310	30,450
Urban-Inclined Share of Households	29%	39%

Source: Claritas, Inc.; ZHA, Inc.

F:\60008 Tyler Tx\[residential tables.xls]urban inclined households

Approximately 57 percent of Tyler MSA urban-inclined households can afford to rent or buy a new residential unit. ZHA assumed that a household would require an income of at least \$50,000 to afford a new apartment and \$75,000 to buy a home. While there are a number of family households that represent a market for downtown living, few of these households cannot afford a new housing unit.



**Urban-Inclined Households Who Can Afford A New Unit
Surrounding Region and Tyler MSA
2010**

	Tyler Region	Tyler MSA
Urban-Inclined Households	53,310	30,450
Urban-Inclined Households Who Can Afford A New Unit	26,550	17,230
Share of Urban-Inclined Households Who Can Afford A New Unit	50%	57%

Source: Claritas, Inc.; ZHA, Inc.
F:\60008 Tyler Tx\[residential tables.xls]Sheet2

Among the urban-inclined households that can afford a new unit in the Tyler Metro Area, approximately 23 percent will be moving over the next five years. The biggest market segment is the “empty nester” group which is typical. The young singles and couples are a relatively large group in the MSA.

**Urban-Inclined Households That Are Moving In Next 5 Years
Surrounding Region and Tyler MSA
2010**

	Tyler Region		Tyler MSA	
Moving Downtown Household Types Who Can Afford A New Rental or For-Sale Unit	5,700		4,010	
Young & Footloose	1,140	20%	1,720	43%
Urban-Inclined Families	0	0%	0	0%
Empty Nesters	4,560	80%	2,290	57%

Source: Claritas, Inc.; ZHA, Inc.
F:\60008 Tyler Tx\[residential tables.xls]moving



New Households and Existing Household Urban Inclined Market

There is a large potential market for new housing in downtown Tyler made up of younger households and empty nester households. There are 5,600 urban-inclined households in the Tyler metropolitan market and 7,030 urban-inclined households in the surrounding counties.

**Total Urban-Inclined Households
New Households and Existing Households
Surrounding Region and Tyler MSA
2010**

	Tyler Region		Tyler MSA		Total	
Moving Downtown Household	7,030		5,600		12,630	
Young & Footloose	1,319	19%	2,216	40%	3,535	28%
Urban-Inclined Families	0	0%	0	0%	0	0%
Empty Nesters	5,712	81%	3,388	61%	9,100	72%

Source: Claritas, Inc.; ZHA, Inc.
F:\60008 Tyler Tx\residential tables.xls\total pot

DOWNTOWN TYLER NEW RESIDENTIAL POTENTIAL

Downtown Tyler’s ability to capture this market is constrained by its limited function within the region. Within the next five years, the downtown’s target market needs to be “the young and footloose” who value an urban environment and are more likely to pioneer new neighborhoods. In the near term, it is unlikely that the downtown will capture empty nesters who tend to be more risk averse.

Using conservative capture rates, the following table summarizes the downtown’s residential development potential from 2005 to 2010. Between 130 and 320 housing units could be developed downtown, assuming low capture rates.

**New Residential Development Potential
Downtown Tyler
2005-2010**

	Tyler Region			Tyler MSA			Total	
	Movers	Capture Rate	Potential Units	Movers	Capture Rate	Potential Units		
Downtown Target Households								
Young & Footloose	1,319	1.0% - 3.0%	13 - 40	2,216	5.0% - 10.0%	111 - 222	124	261
Urban-Inclined Families	0			0				
Empty Nesters	5,712	0.1% - 0.5%	6 - 29	3,388	0.1% - 1.0%	3 - 34	9	62
Total	7,031		19 - 68	5,605		114 - 256	133	324

Source: ZHA, Inc.
F:\60008 Tyler Tx\residential tables.xls\010



Products unique to the market like urban lofts and townhouses should help to penetrate the untapped downtown market.

New Residential Development Potential Downtown Tyler 2005-2010		
	Urban Lofts/ Multi- Family	Townhouse
Units	80%	20%
Own	25%	
Rent	75%	

Source: ZHA, Inc.
F:\60008 Tyler Tx\[residential tables.xls]010 type

Only with additional goods, services, and cultural amenities, as well as regional "buzz," will the Downtown be able to fully capitalize on the local and regional market potential.

Household projections are not available for the 2010 to 2015 time period. ZHA has assumed the same level of growth as projected from 2005 to 2010. Two different scenarios are presented. Under one scenario, the downtown's evolution as the region's social and cultural center is slow with investment only in downtown housing. In the second scenario, additional anchors are introduced and/or planned for the downtown, helping to establish and reinforce its role as the region's social and cultural center.

The more conservative scenario generates approximately the same level of residential development potential as the 2005 to 2010 projection. The downtown's penetration of the young household market is stronger, given residential investment in 2005 and 2010. Under second scenario the downtown will likely achieve greater penetration of the empty nester market.



**New Residential Development Potential
Downtown Tyler
2010-2015**

	Scenario 1: Status Quo						
	Tyler Region			Tyler MSA			Total
	Movers	Capture Rate	Potential Units	Movers	Capture Rate	Potential Units	
Moving Downtown Target Households							
Young & Footloose	1,319	3%	40	2,216	10%	221.646	261
Urban-Inclined Families	0			0			
Empty Nesters	5,712	0.1%	6	3,388	1%	34	40
Total	<u>7,031</u>		<u>45</u>	<u>5,605</u>		<u>256</u>	<u>301</u>

	Scenario 2: Downtown Regional Center						
	Tyler Region			Tyler MSA			Total
	Movers	Capture Rate	Potential Units	Movers	Capture Rate	Potential Units	
Moving Downtown Target Households							
Young & Footloose	1,319	5%	66	2,216	10%	222	288
Urban-Inclined Families	0			0			
Empty Nesters	5,712	0.5%	29	3,388	3%	102	130
Total	<u>7,031</u>		<u>95</u>	<u>5,605</u>		<u>323</u>	<u>418</u>

Source: ZHA, Inc.
F:\60008 Tyler Tx\residential tables.xls\015

The residential product mix will be essentially the same as that recommended in the near term under Scenario 1. If Scenario 2 unfolds there will be greater demand for for-sale housing and townhouse products.



**New Residential Development Potential
Downtown Tyler
2010-2015**

Scenario 1: Status Quo

	Urban Lofts/ Multi- Family	Townhouse/ Rowhouse
Units	80%	20%
Own	25%	
Rent	75%	

Scenario 2: Downtown Regional Center

	Urban Lofts/ Multi- Family	Townhouse/ Rowhouse
Units	66%	33%
Own	40%	
Rent	60%	

Source: ZHA, Inc.
F:\60008 Tyler Tx\[residential tables.xls]015 product

RESIDENTIAL MARKET CONCLUSIONS

**New Market Rate Downtown Housing Potential By Housing Product Type
Downtown Tyler
2005 - 2015**

Product Type	2005 - 2010		2010 - 2015		2005 - 2015	
	Low	High	Low	High	Low	High
Multi-Family	106	250	241	276	347	526
Townhouse	27	62	60	138	87	200
Total	133	312	301	414	434	726

Source: ZHA, Inc.
F:\60008 Tyler Tx\[residential tables.xls]conc



Because of the character of the households in the Tyler Metro Area and region, there is significant downtown residential development potential. New, unique products such as urban lofts must be offered in the downtown to capture a portion of this potential. To fully capitalize on the market, the downtown must be re-positioned as the cultural center of the Tyler region. Without such cachet it will be difficult to penetrate the large empty nester market.