REAL ESTATE CENTER

downtown texas housing

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The Center conducts a comprehensive program of research and education to meet the needs of many audiences, including the real estate industry, instructors and the general public.

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Contents

Summary

To gather data for this report, Real Estate Center staff contacted downtown organizations, leaders and developers in each community. Cities were selected for this study because of available information on existing downtown housing. Two primary types of cities have downtown housing: large urban areas, such as Dallas and Houston, which have large buildings that easily are converted into housing, and smaller cities with a traditional downtown square or main street.

This report identifies which Texas cities have downtown housing, the number of housing projects and information on specific developments. In some cases, traditional apartment developers also are developing in downtown. In other cases, individuals are converting space for personal housing.

Introduction

In the early part of this century, downtowns were the bustling hubs of city life and centers of retail and office activity. Merchants often lived in apartments above their shops, and other residential buildings were an integral part of the downtown landscape. Over time, downtowns declined as businesses moved away from city centers and retail and housing centers shifted to the suburbs.

Today, a variety of market forces are spurring downtown housing projects across Texas. Many cities that currently do not have residential development downtown either have officials in favor of downtown housing or have rumors circulating about possible downtown housing. For example, in Abilene there are unconfirmed reports of a 17-story building to be converted into condominiums or apartments. A number of major apartment developers currently are involved in developing downtown housing. JPI has developed Bryan Place, Jefferson at Gaston Yards and Jefferson at the North End in downtown Dallas. Post Properties has developed a number of properties in Houston and Dallas. In Houston, Midtown Square opened with 479 units and ground floor retail. In Austin, Post Properties plans to open West Avenue Lofts by the third quarter 2000. The 243 units will include courtyards and rooftop decks.

Rental rates for downtown housing are higher than for the city as a whole. This is largely the result of higher land costs and high costs of renovating properties. Downtown rents start at 50 cents per square foot and go as high as $1.35 per square foot. The average downtown apartment rents for around $1 per square foot. In larger cities, the average rent is $1.17, 25 cents more than the city-wide average. In smaller cities, the average downtown rent is 85 cents per square foot, only slightly higher than city-wide rents.

Current Major Downtown Housing Developers

Developer	Existing Downtown Housing Projects	Planned
JPI	Dallas, Houston	
Gables Residential Trust	Dallas, Houston	Austin
Post Properties	Dallas, Houston	Austin
Grenadier Group	Dallas	
Randall Davis	Houston, Galveston	Austin
Trammell Crow	Fort Worth	Houston, Austin
Perry Homes	Houston, Fort Worth	

Source: Real Estate Center at Texas A&M University

Comparison of Downtown to City-wide Rental Rates

City	Downtown—Typical Ranges Rent	Rent/sq.ft.	City-wide Averages (Units built after 1990) Rent	Rent/sq.ft.
Dallas	$700–$1,400+	$1.15–$1.35	$901	$1.00
Houston	500–1,400+	1.10–1.30	909	0.98
Fort Worth	Avg. 1,200 ('98)	1.05–1.20	857	0.91
Austin	850–1,800	1.10–1.50	911	1.00
San Antonio	320–1,200	0.90–1.10	813	0.89
Bryan	NA	1.10–1.25	755	0.86
Denton	NA	1.00	NA	NA
Galveston	700–1,500	0.83–0.93	796	0.93
Tyler	450–1,000	0.70–0.90	606	0.74
Lubbock	700–1,200	0.50–0.60	545	0.61
Wichita Falls	450–575	0.65–0.70	608	0.58
Waco	600–1,675	NA	675	0.73

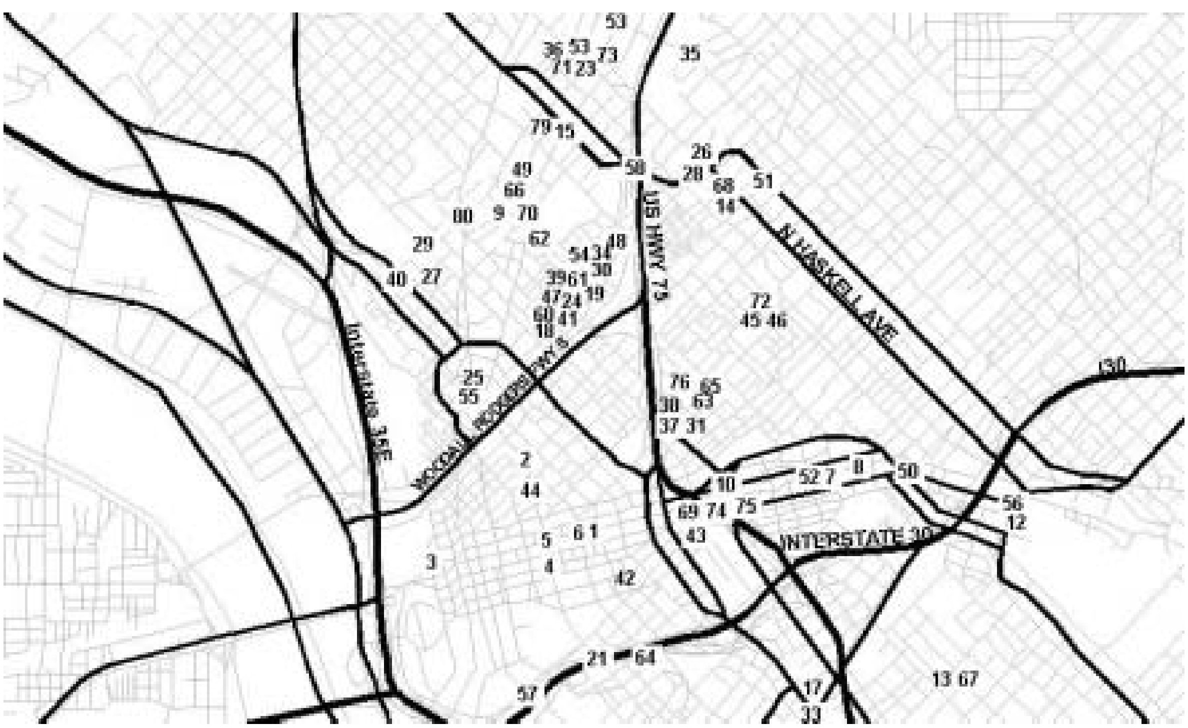
Sources: Apartment MarketData Research and Real Estate Center at Texas A&M University

Large Cities

As expected, Texas' largest cities lead the downtown housing market in terms of quantity and variety. Dallas, Houston, Austin and Fort Worth are particularly notable for their downtown residential development in the 1990s. Interest in downtown residential development is occurring in San Antonio as well.

Dallas

Downtown Dallas Housing Projects (opened 1997 or later)



Source: Real Estate Center at Texas A&M University
Note: All locations are approximations

Map	Project, Address, Owner or Developer	Number of Units	Opening Date	Type
	Completed Projects			
1	**1900 Elm**	129	1997	Lofts/rental
2	**1001 Ross Avenue**	12	1997	Lofts/rental
3	**509 Elm**	29	1998	Lofts/condos
4	**Santa Fe Terminal** 1122 Jackson	205	1999	Lofts/rental
5	**The Kirby—Residences on Main** 1509 Main	157	1999	Lofts/rental
6	**Wilson Building** Main & Ervay	135	1999	Lofts/renta
7	**C & I Lofts—Phase I** 101 S. Walton	25	1997	Lofts/rental
8	**Deep Ellum Lofts** 3300 Main, 3401 Commerce	124	1997	Lofts/rental
9	**Mirabella** 2800 Cole	126	1997	Apartments
10	**Adam Hats** 2700 Canton	90	1997	Lofts/rental
11	**Gaston Yards** Gaston—Good Latimer	480	1997	Apartments
12	**4130 Commerce**	21	1997	Lofts/rental
13	**Eban Village** 2929 Park Row Avenue	110	1997	Apartments
14	**Treymore at Cityplace** 2101 Haskell	180	1997	Apartments
15	**Cole's Corner** 3402 Cole	182	1997	Apartments
16	**Magnolia Hill** 1607 Lyle Street	20	1997	Townhomes
17	**China Alley Lofts—Phase I** 2425 S. Central	20	1997	Lofts/rental
18	**Colby Row** 2601–2611 Colby	6	1997	Townhomes
19	**Heights of State-Thomas** 2414 Allen	196	1998	Apartments
20	**America Beauty Mill** 2400 S. Ervay	80	1998	Lofts/rental
21	**Piggly Wiggly Building** 1108–20 S. Akard	20	1998	Apartments
22	**Jefferson at the North End** Field at Cedar Springs	540	1998	Apartments
23	**Porto Bello by the Creek** Blackburn at Travis	30	1998	Townhomes
24	**Homes of Thomas Court** Thomas at Worthington	25	1998	Townhomes
25	**Cedar Springs Condos** 1925 Cedar Springs at Akard	12	1998	Lofts/both

Map	Project, Address, Owner or Developer	Number of Units	Opening Date	Type
26	**Treymore North** 4144 Office Parkway	70	1998	Apartments
27	**Mayor's Way** Wolf at Bookout	17	1998	Townhomes
28	**Cabell & Haskell Townhomes—I**	5	1998	Townhomes
29	**Maple Villas** 3200 Maple	252	1998	Apartments
30	**Five Seven Nine Townhomes** Allen Street at Woodside	13	1998	Townhomes
31	**7-Up Bottling Company** 2700 Live Oak	13	1998	Lofts/rental
32	**Uptown Dallas Townhouses** Colby at Bolt	9	1998	Townhomes
33	**China Alley Lofts—Phase 2** 2425 S. Central	22	1998	Lofts/rental
34	**Heights of State-Thomas—Phase 2** 2414 Allen	170	1998	Apartments
35	**The Linden in Town** 2802 Carroll Avenue	170	1999	Apartments
36	**Park at Turtle Creek** 3377 Blackburn Street	305	1999	Apartments
37	**Live Oak Lofts** Live Oak at Good Latimer	114	1999	Lofts/rental
38	**Jefferson at Bryan Place—Phase I** Texas at Live Oak and San Jacinto	420	1999	Apartments
39	**The Gallery** Woodside and State	34	1999	Apartments
40	**Turtle Creek Villas** McKinnon at Ivan	331	1999	Condos
41	**Fairmount Mews** Thomas between Bell and Fourth	4	1999	Townhomes
42	**Futura Lofts** Main and Trunk Streets	88	1999	Lofts/rental
	Total	4,991		
	Under Construction			
43	**Park at Farmers Market—Phase I** Canton and Central	620	2000	Apartments
44	**Metropolis** 511 North Akard	70	NA	Condos
45	**Bryan Place Commons** Bryan at Villars	7	1999	Townhomes
46	**Bryan Heights** Washington and Pecos at Bryan	40	1999	Townhomes
47	**State-Thomas Residences** Thomas at Bell	104 6	1999 1999	Apartments Townhomes
48	**Lofts at 588** Thomas St. at Hugo/Griggs Park	127	1999	Apartments
49	**Cole & Bowen Townhouses** Cole at Bowen	5	1999	Townhomes

Map	Project, Address, Owner or Developer	Number of Units	Opening Date	Type
50	**Mitchell Lofts** 3600 Commerce	79	1999	Lofts/rental
51	**Peak & Munger Homes** Peak at Munger	16	1999	Single-family houses
52	**C&I Lofts—Phase 2** 101 S. Walton	20	1999	Lofts/rental
53	**Cambrick & Cole Townhomes** Cambrick at Cole	14	1999	Townhomes
54	**Five Seven Nine Townhomes—II** State Street at Clark	5	2000	Townhomes
55	**2011 Cedar Springs** Cedar Springs at Harry Hines	45	2000	Condos
56	**Howard Wolf Building** Commerce and Perry	71	2000	Apartments
57	**Southside on Lamar** 1409 S. Lamar (Sears)	450	2000	Lofts/rental
58	**Quarters at Cityplace** N. Central Expwy. at Lemmon	244	2000	Apartments
59	**Uptown Village—Phase 2** Bolt at Woodall Rodgers Freeway	198	2000	Apartments
60	**2802 Thomas**	13	2000	Townhomes
61	**Allen Townhomes** Allen at Thomas and Hallsville	NA	2000	Townhomes
62	**Gable State Thomas Mid-Rise** 2610 Allen at Clyde	290	2000	Apartments
63	**Jefferson at Bryan Place—Phase 2** Texas at Live Oak and San Jacinto	300	2001	Apartments
64	**1801 S. Ervay**	26	NA	Apartments
	Total	2,750		
	Planned or Proposed			
65	**Carmel Lofts** Live Oak at Liberty	81	2000	Apartments
66	**Clyde Lane Housing** McKinney and Oak Grove	140	NA	Apartments
67	**Eban Village—Phase 2** (adjacent to Eban Village)	220	2000	Apartments
68	**Haskell & Lafayette Townhomes** Haskell at Lafayette	31	NA	Townhomes
69	**Jefferson at Kessler Heights—I** Tilden & Beckley Avenue	306	2000	Apartments
70	**Manhattan Flatiron** McKinney and Oak Grove	30	NA	Condos
71	**Pan American Townhouses** Commerce Street (3800 block)	16	NA	Townhomes
72	**Pecos Brownstones** Pecos at Bryan and San Jacinto	4	2000	Townhomes
73	**Porto Bello by the Creek—Phase 2** Blackburn at Travis	69	2000	Townhomes

Map	Project, Address, Owner or Developer	Number of Units	Opening Date	Type
74	**Records Building** 3221 Commerce	65	NA	Lofts/rental
75	**Tescada** Blackburn at Katy Trail	20	2000	Townhomes
76	**Texas Lofts** Texas and Bryan Street	67	2000	Apartments
77	**Travis Terrace** (formerly) Haskell and Travis	18	2000	Townhomes
78	**Union Bankers Trust** Elm at Good Latimer	200	NA	Lofts/rental
79	**Victory** Houston at Griffin	1,000	NA	NA
80	**Villa Trevi** Carlisle at Cedar Springs	60	2000	Condos
81	**West Village** McKinney at Lemmon and Blackburn	160	2001	Apartments
	Total	2,487		

Dallas Metropolitan Area

Population	3,209,886
Total employment	1,809,724
Median household income	$41,133
Number of single-family units constructed since 1990	143,496
Number of multifamily units constructed since 1990	77,719
Number of downtown units completed since 1990	8,603

Source: Real Estate Center at Texas A&M University

History and Development Patterns

Among Texas cities, Dallas has the most highly developed central city residential market. The City of Dallas reports 8,603 residential units in 83 projects have been completed since 1990. Another 4,223 units in 105 projects are planned or proposed.

Until the past few years, residential development was occurring mainly in neighborhoods and districts adjacent to the central business district. The Deep Ellum area east of downtown, known as an offbeat and trendy area, contains numerous older warehouses that have been renovated into loft units. The State-Thomas and Uptown Dallas areas, located across the Woodall-Rodgers Freeway from downtown, have been prime locations for larger upscale apartment complexes. Since the mid-1990s, however, developments have begun to appear within the central business district and south of Interstate 30. These have primarily been conversions of historic commercial buildings into loft developments.

Many projects have received some form of public financial support. The city's Intown Housing program offers incentives such as development cost reductions, rebates, tax abatements, tax increment financing and "gap" financing funded through a HUD Section 108 loan. Historic tax credits were used in a number of projects, including the Kirby Building. In 1988, the Tax Increment Financing (TIF) district was first set in place, and the city provided a $2.1 million loan for public improvements in the State-Thomas area. The TIF is expected to provide $43 million for upgrading streets and lighting and for redevelopment of downtown buildings.

Several urban apartment developers have implemented significant projects around central Dallas. Post Properties, Gales Residential Trust and JPI have built numerous upscale complexes in the Uptown and East End-Deep Ellum areas. The Grenadier Group has constructed townhomes, lofts and apartments in these areas as well.

Market Survey

The Downtown Improvement District, the public improvement district for the central business district of Dallas, conducted a 1999 survey of residents in various residential complexes.

Nearly three-quarters (74 percent) of the respondents were unmarried. About half were younger than 35 years old, while 35 percent were between 35 and 55. Fifty-eight percent were male. A remarkable 78 percent had a college or postgraduate degree, and 65 percent indicated they were employed in professional or management positions. The median household income of respondents was $88,000, with 58 percent making more than $75,000 annually. These statistics may have been biased by the selection of complexes surveyed. However, the resident profile generally is considered typical of the downtown market.

Of more than 200 Dallas residents surveyed, more than two-thirds (69 percent) chose to live downtown because they wanted an urban lifestyle. Slightly more than half wanted the central location, and about the same number (55 percent) wanted to be close to work. About one-third mentioned the closeness of arts, cultural and entertainment activities. Slightly less than one-fifth (18 percent) were looking for an historical architectural environment.

More than 70 percent of residents indicated they would like to see more parks, open space, retail shops and restaurants in downtown Dallas. In fact, 88 percent said they would use a downtown grocery store. Nearly half would prefer that national name retailers be present downtown.

Projects

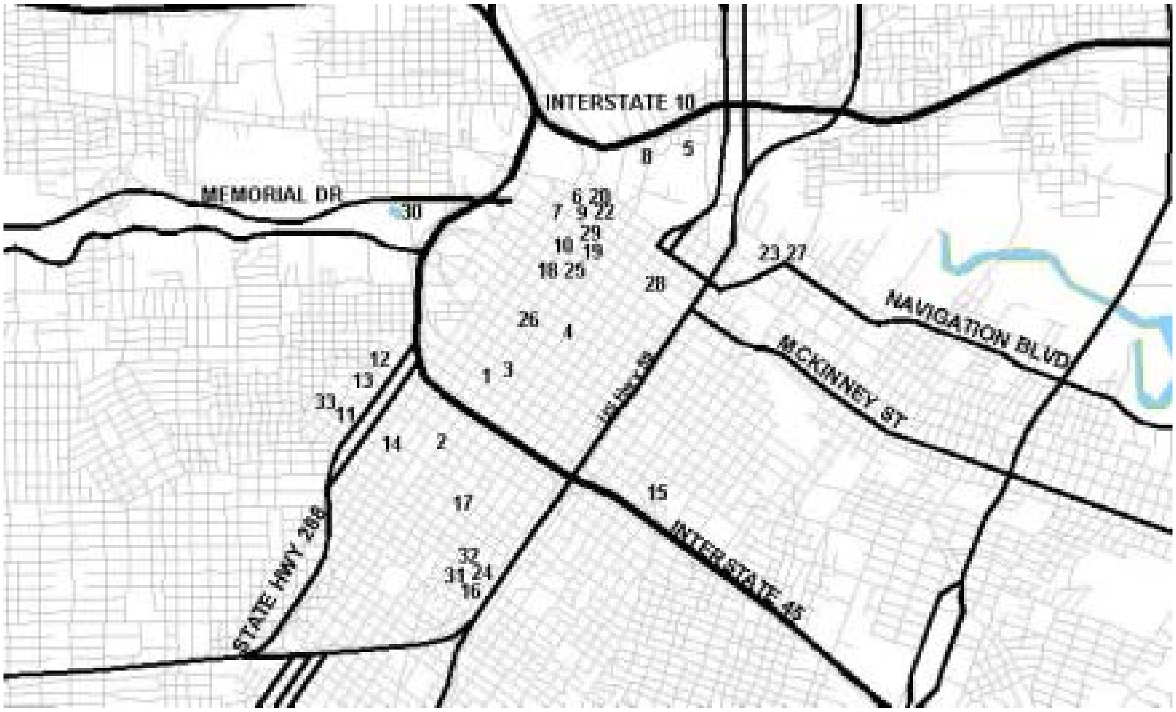
Post Properties has been active in the Dallas market. The Lofts at 588 is an 11-story loft-style apartment complex just west of North Central Expressway and Woodall Rodgers Freeway. The $22-million project has 127 apartments and two levels of underground parking and is expected to be completed during 2000. Post Properties also has developed the Wilson Building at Main and Ervay, which opened in 1999 with 135 loft apartments and 10,000 square feet of street-level retail. The former office building cost $19 million to renovate. The apartments rent for an average of $1,200 a month for a 1,000-square-foot apartment. Amenities include granite counters and whirlpool baths.

Historic tax credits and community development block grants were used in the conversion of the Kirby Building. Developers were required to set aside 30 percent of the project's units for low-to-moderate income households. Rents in the building range from $500 per month for a studio loft to $4,999 per month for a penthouse apartment.

Southside on Lamar is a $75 million project that will convert 1.4 million square feet into living units. The Sears Building on Lamar Street, which had been vacant since 1993, is being converted into 450 loft apartments. The complex is expected to be ready for occupancy in 2000. The smallest apartment, with 1,000 square feet, will rent for $800 per month, while 3,300-square-foot units will run $4,000 per month.

Houston

Downtown-Midtown Houston Housing Developments



Source: Real Estate Center at Texas A&M University
All project locations are approximations

Map	Project, Address, Owner or Developer	Number of Units	Opening Date	Type
	Completed Projects			
1	**Beaconsfield Condominiums** 1700 Main Street	18	1908	Condos
2	**2016 Main** 2016 Owners Association	353	1964	Condos
3	**Houston House** 1617 Fannin Street	403	1965	Apartments
4	**Four Seasons Place** 1300 Lamar Street	120	1982	Apartments
5	**Dakota Lofts** 711 William	53	1993	Lofts/rental
6	**Foley Building** 212 Travis	2	1995	Lofts/owned
7	**Hogg Palace** 401 Louisiana	79	1995	Lofts/rental
8	**White Oak Lofts** 1011 Wood	12	1997	Lofts/rental
9	**Hermann Lofts** 204 Travis	25	1998	Lofts/condos
10	**The Rice** 901 Texas Avenue	312	1998	Lofts/rental
11	**Live Oak Apartments** Webster at McGowen	211	1998	Apartments

Map	Project, Address, Owner or Developer	Number of Units	Opening Date	Type
12	**Midtown Square** Bagby at Webster	479	1999	Apartments
13	**Jefferson at Midtown** Bagby at Hadley	419	1998	Apartments
14	**The Park at Midtown** McGowen at Louisiana	315 22	1999	Apartments Townhomes
15	**Live Oak Lofts** 1719 Live Oak	12	1999	Lofts/rental
16	**Perry Homes—Midtown** Elgin at La Branch	134	1999	Townhomes
17	**Gateway Homes** Austin at Dennis	18	1999- 2000	Single-family houses
	Total	2,987		
	Under Construction			
18	**St. Germaine** 705 Main	107	1999	Lofts/rental
19	**The Keystone** 1120 Texas Avenue	34	1999	Condos
20	**Bayou Lofts** 907 Franklin	100	1999	Lofts/condos
21	**One Bayou Park** Franklin Street	20	1999	Lofts/rental
22	**220 Main**	30	NA	NA
23	**The Americas** Navigation at Runnels	15	1999	Lofts/rental
24	**Paramount Lofts** Rosalie at Chenevert	12	NA	NA
	Total	318		
	Planned or Proposed			
25	**Capitol Lofts** 711 Main Street	31	2000	Lofts/condos
26	**Humble Building** 1212 Main Street	90	2000	Apartments
27	**The Americas—Phase II** Navigation at Runnels	40	NA	Lofts/rental
28	**Ballpark Place** Crawford at Preston	NA	2001	NA
29	**Commerce Building** 914 Main	100	NA	Condos
30	**Sabine Island** Sabine Street at Buffalo Bayou	NA	NA	NA
31	**South End Live-Work Lofts** Elgin at Jackson	20	NA	Lofts/condos
32	**Perry Homes—Midtown** Elgin at La Branch	91	2000	Townhomes
33	**Perry Homes—Fourth Ward** Dennis at Helena	160 90	2000 2001	Townhomes Townhomes
	Total	622		

Houston Metropolitan Area

Population	3,931,688
Total employment	2,042,484
Median household income	$39,592
Number of single-family units constructed since 1990	129,179
Number of multifamily units constructed since 1990	60,727
Number of downtown units completed since 1990	2,093

Source: Real Estate Center at Texas A&M University

History and Development Patterns

In the past, Houston's central business district lagged Dallas by a few years in new housing development, but it now surpasses Dallas in development within the downtown core. In addition, the midtown Houston area, a few blocks south of the central business district across the Pierce Elevated Freeway (I-45), is undergoing a surge of residential development.

For many years, the principal market-rate housing developments in the downtown area were the Beaconsfield Condominiums, built in 1908, and two high-rise apartment towers, the Houston House and 2016 Main. In 1982, the Four Seasons Place luxury apartments opened adjacent to the posh hotel of the same name.

The current resurgence of housing in the downtown core began with the Dakota Lofts, which opened in 1993. The success of this project led to other loft conversions, several done by the Dakota's developer, Randall Davis. The most notable development has been the loft conversion of the historic Rice Hotel at the north end of downtown near the Market Square Historic District. Local governments aided the development of the Rice Hotel through the implementation of a tax increment reinvestment zone (TIRZ, known as Tax Increment Financing Districts – TIFs – elsewhere in Texas) which defrayed substantial costs. The Rice Hotel, with 312 units, opened in 1998 and, as of spring 1999, was 95 percent leased.

The midtown area became a hotbed of residential projects in the late 1990s following the implementation of a TIRZ. The lower density nature of the area has encouraged different types of housing from that occurring in the downtown core.

Apartment developers Camden Property Trust, Jenard Gross Investments, Post Properties and JPI have constructed large complexes in the northern portion of the area. Rents in these complexes typically are $1.10 to $1.25 per square foot. Builder Perry Homes is developing townhome projects as well.

Compared with downtown, midtown lacks historic buildings for potential loft conversions. Developer Caspian Renaissance Venture instead will build a 20-unit loft project, the South End Live-Work Lofts, from the ground up. Caspian also is renovating an old apartment building into lofts. The loft projects are located east of Main Street, generally considered a more pioneering area for residential projects in midtown.

Market Studies and Surveys

A 1999 study by CDS Market Research found the potential market for downtown and midtown dwellers in the Houston area to be 137,000 households. Researchers estimated that demand for about 56,000 units came from households with an adult working in downtown, midtown or the Texas Medical Center. About two-thirds of potential downtown residents prefer to own rather than rent.

Potential downtown-midtown dwellers show a strong preference for renovated historic buildings. About two-thirds say they prefer to live in a historic building, one-quarter prefer new construction and the remainder have no preference. In the wake of publicity garnered by the Rice Hotel and other loft projects, the Houston market for these types of units has risen. One-third of potential downtown residents would select a loft unit as their first choice, with about an equal percentage selecting townhomes. The average monthly payment for rent or mortgage given by those classified as "very likely" to live downtown or midtown is $770.

A large portion of potential residents of downtown and midtown have relatively high incomes. The CDS survey only addressed households earning at least $30,000 annually. Of potential resident households, one-third have incomes more than $80,000, and 22 percent have incomes exceeding $100,000. They tend to be well educated, with more than one-third of those likely to live downtown or midtown having a college education; 23 percent have a post graduate education, compared to 13 percent of the general population. A surprising 40 percent of potential residents have at least one child in the household.

Survey respondents were most interested in downtown living for its closeness to work or activities they enjoy, particularly the arts and entertainment. The most important criteria in choosing downtown-midtown housing location was safety and security, followed by the quality and appearance of the neighborhood. These considerations had declined significantly compared with other considerations, such as home price and construction-design quality, since a 1993 survey.

CDS also conducted a 1999 survey of existing downtown residents (midtown residents were not surveyed). Interestingly, only one-half (51.1 percent) of the respondents worked downtown, slightly more than the number who stated proximity to work was their main reason for moving downtown (48.5 percent). Other reasons for moving to the area included proximity to theaters and other attractions (20.5 percent) and the desire to live an urban lifestyle (23.8 percent). In fact, the desire for an urban lifestyle was either the primary or secondary reason for more than half (52.8 percent) of respondents. More than one-quarter, 26.7 percent, reported that they had previously lived in the downtown area of a large city.

What downtown Houston residents find most lacking are grocery stores and general retail. Only 18 of the more than 300 respondents listed a lack of adequate parking, and only six mentioned security. Albertson's reportedly is planning a new store in midtown.

Projects

Bayou Lofts

The Bayou Lofts are a conversion of the Southern Pacific Building, originally constructed in 1910. When finished, the building will contain 102 residential lofts on eight floors above first-floor retail space. The property is located one block from Market Square in Houston's historic district at the north end of downtown, near Buffalo Bayou. Spire Realty and Threshold Interests are developing the project.

The renovation includes all new electrical, plumbing and mechanical systems. To enhance its character, however, the building will retain or reflect such original features as exposed brick walls and distinctive public area tile patterns. A parking garage will be constructed on the north (rear) side of the building. Rear-facing units will offer balconies.

The units have 11- to 16-foot ceilings and no full-height interior walls in principal living areas, only dividers. Buyers may choose from several finishes and semi-custom amenities in their units. The units have been designed to facilitate the combining of multiple units, an occasional desire of loft buyers. Buyers can choose from units that correspond to one- and two-bedroom plans, although larger units are sufficiently flexible to allow a variety of living arrangements. The smallest units contain 692 square feet, while the eighth and ninth floors offer some units of more than 2,000 square feet. The developers chose larger units than might be typical of loft projects as these units are to be sold instead of leased. As of October 1999, prices ranged from $155,100 to as high as about $1.5 million.

Interest in the lofts has been strong, with 68 of the units under contract. Financing is available for as little as a 5 percent down payment. Rick D'Amico of Minette Boesel Properties, the project's marketer, reports that buyers typically are single professionals choosing a downtown lifestyle. Professional couples also have purchased units. The units are mostly intended for use as the primary residence of the buyers, although some sales have been made to second home buyers and investors.

2016 Main and Houston House

The recent boom in downtown housing in Houston has benefited more than just developers of new projects. Two projects from the 1960s, 2016 Main and the Houston House Apartments, have reaped the rewards of downtown's renewed popularity.

The 2016 Main building, opened in 1965, contains 335 units. It is located immediately south of the Pierce Elevated Freeway (I-45) on the south edge of downtown. It is 26 stories (no 13^{th} floor), with residential units on the sixth and higher floors. Originally a high-rise apartment building, it was converted to condominiums in 1979, and 57 units were sold. The remaining units continued in a rental pool and were upgraded in 1985. In 1992, the building owners began selling the rental units again. By October 1999, all but 31 had been sold.

The units at 2016 Main range in size from 283-square-foot efficiencies to 1,170-square-foot two-bedroom plans. With prices ranging from $45,000 to $169,900, they are much more affordable than new construction in the area. Prices per square foot range between $105 and $120. Buyers have been equally divided among single males, single females and married couples. Ages of the singles range from late 20s to late 80s. Married couples tend to be in their mid-30s through mid-60s. A significant concentration of couples are in their late 40s and early 50s, no longer have children at home and are moving in from Houston's suburbs.

The Houston House, opened in 1966, has always been a rental apartment property. The 30-story tower on Fannin at the south end of downtown has 392 units. Units range from studios with less than 500 square feet to two-bedroom units with 825 square feet. Rents currently range from $625 for the smallest studios on lower floors to more than $1,000 per month for larger two-bedroom apartments. While the building includes typical amenities, such as a parking garage, 24-hour front desk, balconies, a heated pool and workout facilities, it stands out among rental properties by offering tenants discretion in unit modification. With permission, tenants may make substantial capital improvements within their units. This feature has attracted numerous long-term tenants. Renovations currently are underway at a cost that will exceed $100,000.

The trend toward downtown living has had a major impact on Houston House, which had occupancy of less than 80 percent as recently as 1998. The building is currently 91 percent occupied, the highest level in its history. Rent increases are expected soon.

New Houston House tenants are about 60 percent young singles and most of the remainder are "empty nester" couples either downsizing or using their apartment as a second home to take advantage of downtown attractions. More than half of new tenants are moving from suburban Houston. Building manager Jo Wood reports that only about half of the tenants live there because of improved access to work. The remainder are choosing to live downtown purely for the lifestyle and nearby attractions. Tenants represent a diverse range of occupations and backgrounds, from students to professionals to retirees.

Fort Worth

Downtown Fort Worth Housing Projects

Source: Real Estate Center at Texas A&M University
Note: All locations are approximations

Map	Project, Address, Owner or Developer	Number of Units	Opening Date	Type
	Completed Projects			
1	**Sundance West** 333 Throckmorton	59	1992	Lofts/rental
2	**Sanger Lofts** 222 West Fourth Street	59	1993	Lofts/NA
3	**Historic Electric Building** 410 West Seventh Street	106	NA	Apartments
4	**Houston Place Lofts** 910 Houston Street	30	NA	Lofts
5	**Hillside Apartments** 300 Crump Street	172	1997	Apartments
6	**Firestone Upper West Side** West Seventh Street	349	1999	Apartments
7	**The Reserve Upper West Side** 1000 Henderson Street	189	1999	Apartments
8	**Gates of Seventh Street Station** 2601 West Seventh Street	200	1999	Apartments
9	**Remington Place** 1000 West Belknap	18	1999	Townhomes
	Total	1,182		

Map	Project, Address, Owner or Developer	Number of Units	Opening Date	Type
	Under Construction			
10	**Land Mark Tower**	39	2000	Condos
	711 Houston Street	114		Apartments
11	**The Flat Iron**	NA	NA	Apartments
	Ninth at Houston Streets			
12	**The Ruins at Summit**	10	2000	Lofts/ Condos
	Seventh Street at Summit			
13	**Cassidy Corner Condominiums**	9	2000	Condos
	First Street at Pecan			
	Total	172		
	Planned or Proposed			
14	**The Bluffs**	358	NA	Apartments
	Belknap at Bluff Street			
15	**The Marquis**	118	NA	Apartments
	Calhoun-Weatherford-Jones-Belknap			
16	**Land Mark Tower Phase II**	84	NA	Condos
	711 Houston Street			
	Total	560		

Fort Worth Metropolitan Area

Population	1,592,577
Total employment	850,545
Median household income	$39,278
Number of single-family units constructed since 1990	59,457
Number of multifamily units constructed since 1990	17,905
Number of downtown units completed since 1990	1,182

Source: Real Estate Center at Texas A&M University

Downtown Fort Worth was among the first of Texas' large cities to revitalize commercially. The Sundance Square area provided a lively destination for work and entertainment throughout the 1990s. The new Bass Hall has further enhanced the area. The success of business and entertainment ventures has increased the appeal of downtown housing. Since the mid-1990s, a total of 1,182 privately developed residential units have been completed, with another 172 under construction and 476 in the planning stages.

Residential projects in downtown Fort Worth are generally building conversions or large apartment complexes developed near the edges of the central business district. Fort Worth resembles Dallas in the extent to which new apartment projects, such as Hillside Apartments and Firestone Upper West Side, dominated downtown residential development in the 1990s. Major real estate developers such as Trammell Crow Residential have developed apartment projects in the area. Rents in these projects vary from about $1.05 to $1.20 per square foot. The average downtown rent at the end of 1998 was $1,200, according to Foley & Puls, a multifamily research firm.

Projects

Historic Electric Building

The Historic Electric Building, a late 1920s building on Seventh Street, was renovated from 1994 to 1996. Because tax credits were used in the renovation, the building allocates 60 percent of its units to moderate-income households. Since opening as a residential building, it has maintained 96 to 98 percent occupancy, according to building management.

An estimated 80 percent of its residents work in the downtown area, a higher percentage than for residents in market-rate projects elsewhere. The higher proportion of downtown workers may indicate that moderate-income residents choose downtown for convenience to work, while upper-income residents choose downtown for lifestyle reasons.

Remington Place and Summit Ruins at Seventh

Remington Place is an 18-unit townhome project built by Perry Homes in the northwest section of downtown, at Lexington and Belknap Streets. These townhomes have three bedrooms and range in size from 2,105 to 2,802 square feet. Prices range from slightly less than $250,000 to nearly $290,000. Prices per square foot range from about $99 to more than $118.

Summit Ruins at Seventh contains ten condominiums in a distinctive seven-story building under construction at Seventh Street and Summit Avenue. The project has a decidedly upscale orientation, with rooftop gardens and secured subgrade parking. Floor plans range from 3,500 to about 4,200 square feet, with either two or four bedrooms. Current prices range from about $604,000 to $755,000.

Austin

Downtown Austin Housing Projects

Source: Real Estate Center at Texas A&M University
Note: All locations are approximations

Map	Project, Address, Owner or Developer	Number of Units	Opening Date	Type
	Completed Projects			
1	**Brown Building** Eighth and Colorado	90	1999	Lofts/rental
2	**Brazos Lofts** 201 E. Fifth Street	39	1999	Lofts/condos
3	**Avenue Lofts** 400 E. Fifth Street	38	1999	Lofts/condos
	Total	167		
	Under Construction			
4	**The Gardens at W. Seventh** 7th Street between Baylor and Blanco	13	NA	Condos
5	**West Avenue Lofts by Post** 300 West Avenue	243	2000	Lofts/rental
	Total	256		
	Planned or Proposed			
6	**The Nokonah** 9th and Lamar	85	2001	Condos
7	**Gables Residential** 910 Cesar Chavez Street W.	301	NA	Apartments

Map	Project, Address, Owner or Developer	Number of Units	Opening Date	Type
8	**AMLI Residential: Block 20** 200 W. Second Street	200	2001	Apartments
9	**Reddy Ice site** 9th and Red River	100	NA	NA
10	**Town Lake Condominiums** 44-54 Rainey Street	50	2000	Condos
11	**The Reserve at Congress** S. Congress and East Bouldin Circle	256	NA	256
12	**AMLI Residential: Block 22** 2nd and Guadalupe	200	2001	Apartments
13	**Tips Iron & Steel** 304 Baylor	350	NA	Apartments
14	**Gotham Condominiums** 200 S. Congress	56	NA	Condos
15	**Phoenix Residential Development** 4th and 5th and Rio Grande	175	NA	Apartments
16	**Sutton Company, 5th and Guadalupe** W. 5th Street and Guadalupe	NA	2000	Condos
	Total	1,773		

Austin Metropolitan Area

Population	1,105,909
Total employment	663,833
Median household income	$36,669
Number of single-family units constructed since 1990	58,961
Number of multifamily units constructed since 1990	32,087
Number of downtown units completed since 1990	167

Soucre: Real Estate Center at Texas A&M University

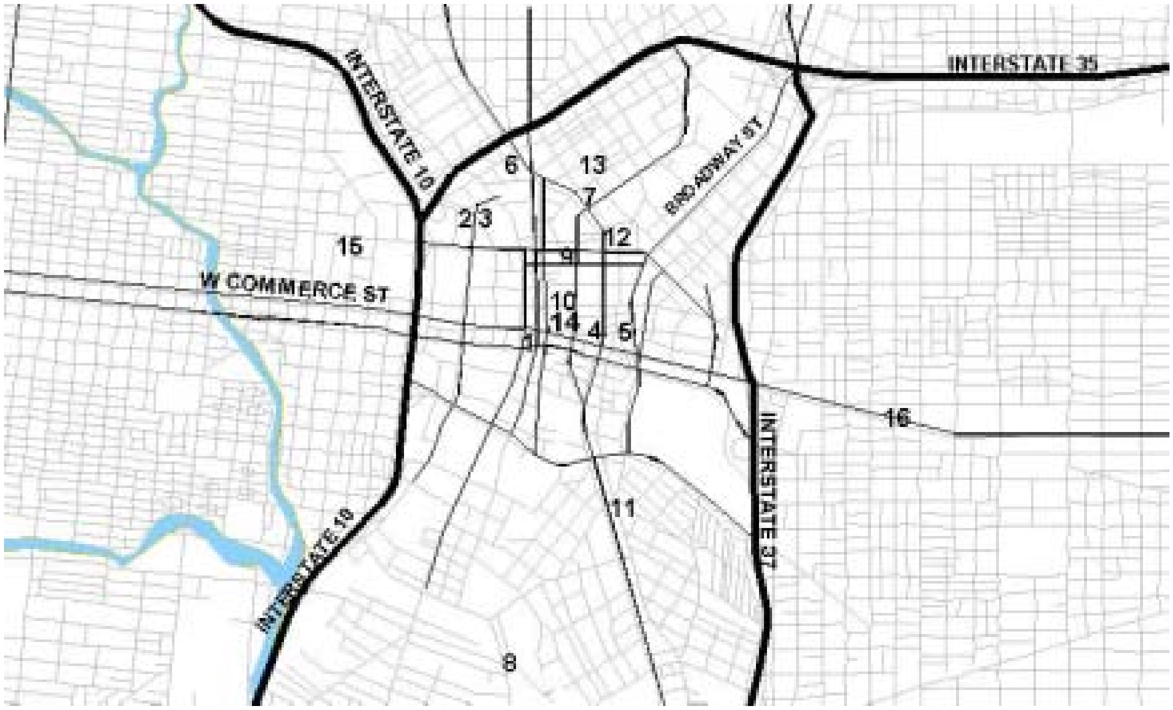
Austin, with its positive image, natural amenities and active downtown nightlife would seem to be ideal locale for downtown residential projects. However, the boom in downtown housing is new to Austin, with the first significant projects opening in 1999. As other developers have followed the trend, a substantial number of residential projects have entered the pipeline.

In 1999, three new residential loft projects totaling 167 units opened: the Brown Building, the Brazos Lofts and the Avenue Lofts. The Brown Building, which offers the only rental units, is a renovated ten-story former office building built in 1938. W. Ball Development performed the conversion with the assistance of a 20 percent federal tax credit obtained after putting the building on the National Register of Historic Places. Lease rates for units range from $850 to $1,800 per month. The Brazos Lofts and the Avenue Lofts are conversions of older buildings. Each project cost about $6 million.

The short supply of smaller historic buildings means that many future additions to the downtown housing supply will be new structures. One large apartment complex is in the works for Gables Residential Trust. The 243-unit West Avenue Lofts project by Post Properties, a veteran urban residential developer, is under construction. In addition, Randall Davis, a Houston developer with several downtown loft projects under his belt, plans to build Gotham Condominiums, 56 units atop an office building on South Congress. Currently 2,029 units are under construction, planned or proposed in downtown Austin.

San Antonio

Downtown San Antonio Housing Projects



Source: Real Estate Center at Texas A&M University
Note: All locations are approximations

Map	Project, Address, Owner or Developer	Number of Units	Opening Date	Type
	Completed Projects			
1	**Morris Apartments** 128 Main Plaza	52	1949	Apartments
2	**Towne Center Apartments** 601 N. Santa Rosa	120	1976	Apartments
3	**Soap Works Apartments** 500 N. Santa Rosa	261	1978–82	Apartments
4	**Casino Club Building** 102 W. Crockett	39	1978	Apartments
5	**Losoya Building** 221 Losoya	5 3	1978	Condos Apartments
6	**Left Bank** 710 N. St. Marys	24	1988	Condos
7	**Riverview Condos** 1022 Navarro	24	1989	Condos
8	**Blue Star Arts Complex** 120 Blue Star	48	1990	Lofts/rental
9	**Exchange Building** 152 E. Pecan	41	1993	Apartments
10	**Majestic Towers–Brady Building** 222 E. Houston and 202 E. Houston	97	1993	Apartments
11	**The Maverick** 606 N. Presa	90		Apartments

Map	Project, Address, Owner or Developer	Number of Units	Opening Date	Type
12	**Toltec Apartments** 110 Auditorium Circle	14	1996	Apartments
13	**Cadillac Lofts** 317 Lexington	153	1999	Lofts/rental
	Total	971		
	Planned or Proposed			
14	**Rivercenter Apartments** (Rivercenter Mall)	60	NA	Apartments
15	**Scobey Building** N. Medina at Martin	150 (approx.)	Late 2000	Lofts/rental
16	**Friedrich Building** 1617 E. Commerce	100	NA	Lofts/NA
	Total	310		

San Antonio Metropolitan Area

Population	1,538,338
Total employment	731,383
Median household income	$31,563
Number of single-family units constructed since 1990	46,613
Number of multifamily units constructed since 1990	12,773
Number of downtown units completed since 1990	971

Source: Real Estate Center at Texas A&M University

San Antonio's central business district is endowed with buildings of exceptional historic value. Whereas many of the residential conversions in other cities have taken place in 20th Century structures, particularly those built during the 1920s, several 19th Century San Antonio buildings have been converted. San Antonio offers downtown residents the cultural and tourist attractions of the River Walk and HemisFair Plaza. The nearby King William residential district, with its restored historic homes, has become an attraction in itself. Houston Street, formerly the city's principal retail corridor, is the focus of a redevelopment effort by Federal Realty.

While the pace of downtown housing development in San Antonio does not match that of other Texas cities, sporadic residential development has occurred since the late 1970s. One building, the Morris Apartments, has been in residential use since 1949. The Casino Club and Losoya Buildings were converted in the late 1970s. The Soap Works and Towne Center Apartments, both on the west side of downtown, cater to moderate-income workers, particularly those at the Medical Center. San Antonio has other downtown residential buildings restricted to the elderly.

In the 1990s, several larger upscale developments were completed. These include the luxury apartment conversion of the Towers at the Majestic in 1993 and the Cadillac Lofts, which began leasing in 1999. Nearly all of these developments are located within the downtown core, bounded on three sides by a circle of interstate highways and on the south by Durango Boulevard. Several are located close to the River Walk and the Alamo in the city's most popular tourist area.

While upscale units are plentiful through conversions and renovations of historic buildings, downtown San Antonio lacks mid-range housing. Family housing, too, is scarce, in part because few family-oriented services and businesses, such as schools and grocery stores, are located in the downtown area.

Projects

Losoya Building, Exchange Building, Toltec Apartments and Cadillac Lofts

The Losoya Building, Exchange Building, Toltec Apartments and Cadillac Lofts represent an evolutionary history of downtown San Antonio housing development. The Losoya Building, which opened in 1978, was one of the first modern residential conversions in San Antonio. Five of its eight rental units were sold, so the building is now a mix of renters and owners. The Exchange Building, converted to apartments in the early 1990s, and Toltec Apartments, renovated in 1996, represent a more recent era before loft conversions soared in popularity. The Cadillac Lofts, opened in 1999, is the largest downtown residential project since 1990, with 153 loft-style rental units.

According to Debbi Maltz of Central Properties, which manages and leases the four properties, the attraction of downtown San Antonio living cuts across ages and interests. Tenants moving downtown include young singles, professional couples and retirees. As is the case with other cities, some of these residents work within walking distance, but many also work at more distant locations, such as United Services Automobile Association.

Scobey Building

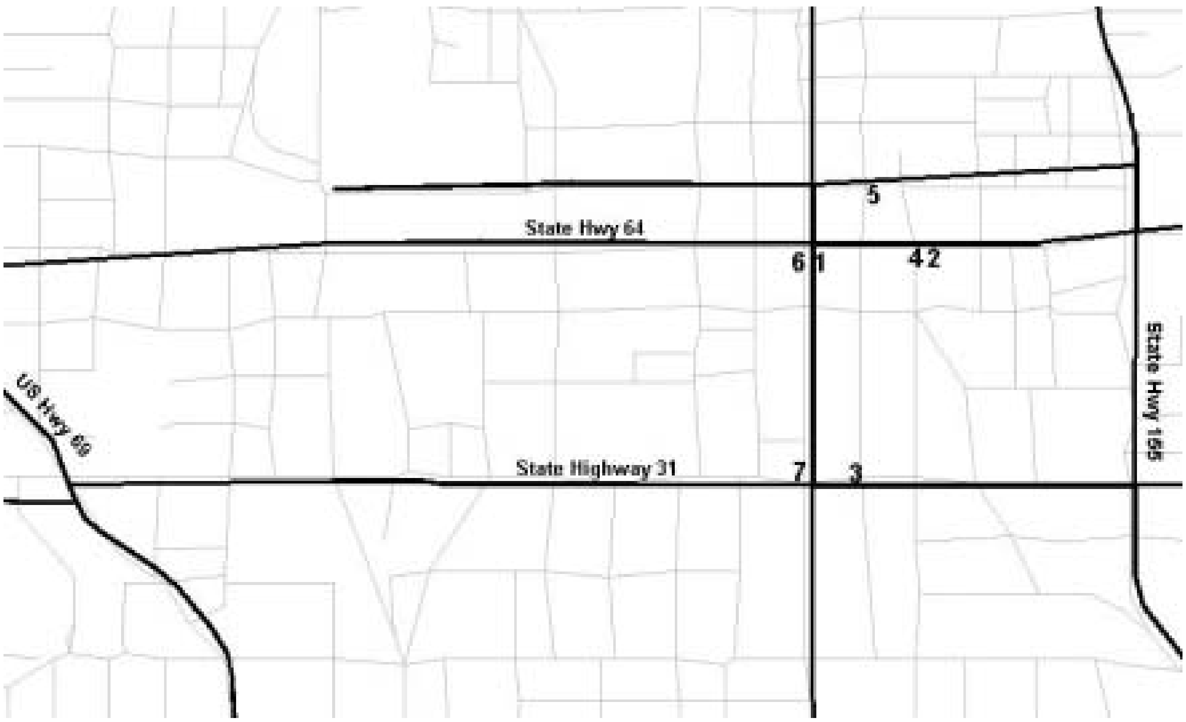
The need for mid-range loft housing may soon be addressed by the Scobey Building, a project of Cross and Company. The project, which includes three historic and three other buildings, will have an "industrial" appearance similar to the Blue Star Arts Complex. A parking garage is planned in a former cold storage building. Rental prices for the lofts are projected to range from 65 to 75 cents per square foot, making them much more affordable than the Cadillac Lofts and projects that have opened in other cities in the 1990s. Ed Cross of Cross and Company believes San Antonio's high-end downtown housing market may be limited because of to the city's general tilt toward lower income levels. He anticipates his core tenant market will be employees of the nearby University of Texas at San Antonio and medical center hospitals.

Small and Mid-sized Cities

Growing interest in living downtown is not limited to Texas' large cities. Entrepreneurs are joining the ranks of those developing downtown housing in small-to- mid-sized cities as well. Often, the upper floors of vintage buildings surrounding courthouse squares or along "Main Street" in these cities become distinctive residential units. These types of properties often have fewer than five units in a building. In some cases, developers are taking on larger-scale projects, such as the conversion of older office buildings or hotels. Downtown housing development in these locales is usually dominated by one or two developers in each city who specialize in these types of projects.

Tyler

Downtown Tyler Housing Projects



Source: Real Estate Center at Texas A&M University
Note: All locations are approximations

Map	Project, Address, Owner or Developer	Number of Units	Opening Date	Type
	Completed Projects			
1	**O'Sullivan Apartments** 119 East Erwin	8	NA	Apartments
2	**Lloyd Apartments** 324 East Erwin	3	1996	Apartments
3	**W.E. Sword Apartments** 409 Spring Street	3	NA	Lofts/rental
4	**O'Sullivan Warehouse Apartments** 300 East Erwin	7	NA	Lofts/rental
5	**Lloyd Story-Wright Apartments** 211-215 East Ferguson	5	1997	Lofts/rental

Map	Project, Address, Owner or Developer	Number of Units	Opening Date	Type
6	**Shieldes' TSO Apartment** 101½ East Erwin	1	NA	Apartments
	Total	971		
	Planned or Proposed			
7	**North Tyler Apartments** 416 Broadway	26	NA	Lofts/rental

Tyler Metropolitan Area

Population	168,783
Total employment	85,425
Median household income	$32,701
Number of single-family units constructed since 1990	2,607
Number of multifamily units constructed since 1990	816
Number of downtown units completed since 1990	27

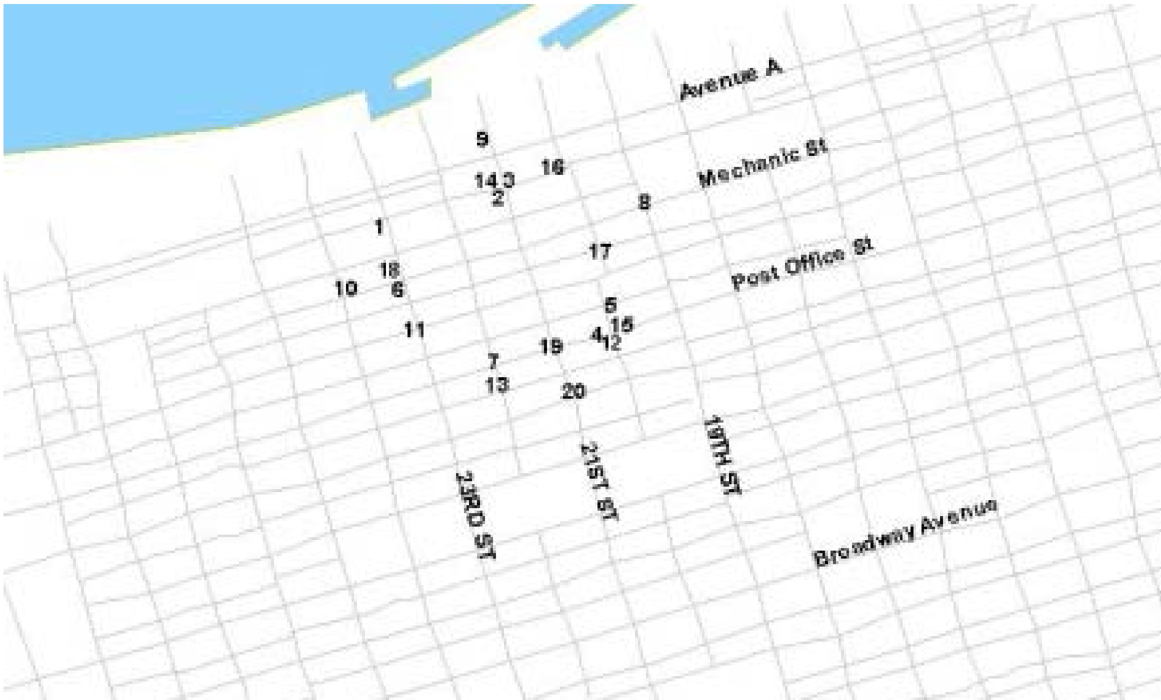
Source: Real Estate Center at Texas A&M University

Tyler is typical of smaller cities with a historic core around its courthouse. The second floors of several historic buildings have been converted into one or two residential units. Several projects have been slightly larger in scale, ranging from three to eight units. Two developers in particular, the O'Sullivans and Robert Lloyd, have been responsible for the larger projects. The O'Sullivans purchased and renovated an 1885 building on East Erwin into eight apartments and a coffee bar. According to Heart of Tyler, Inc., a downtown nonprofit organization, these apartments all were leased prior to completion. The O'Sullivan Apartments, which range from 950 to 1,200 square feet, rent from $650 to $1,000 per month. The success of this project led them to renovate another building, the seven-unit O'Sullivan Warehouse Apartments.

Robert Lloyd, who developed two loft conversion projects in downtown Tyler, plans on reworking a building at 416 Broadway and turning it into the 26-unit loft-style North Tyler Apartments. The project will have underground parking and a swimming pool.

Galveston

Downtown Galveston Housing Projects



Source: Real Estate Center at Texas A&M University
Note: All locations are approximations

Map	Project, Address, Owner or Developer	Number of Units	Opening Date	Type
	Completed Projects			
1	**Rosenberg Building** 2313 Strand	6	Late 1970s	Lofts/rental
2	**2121 Strand**	8	Mid-1980s	Apartments
3	**Commerce Building** 2102 Strand		Early 1980s	Apartments
4	**Opera House** 2020 Postoffice Street	10	Mid-1980s	Apartments
5	**Diocese Building** 406 20th Street	6	Late 1980s	Apartments
6	**Berlocher Building** 2309–2311 Ships Mechanic Row	10	Early 1990s	Apartments
7	**Pix Building** 22nd at Postoffice Street	4	Early 1990s	Lofts/NA
8	**Galveston Daily News Building** 2108 Mechanic Row	NA	Mid-1990s	Apartments
9	**Appraisers Building** 101 21st Street	5	Mid-1990s	Apartments
10	**Strand Lofts** 2400 Mechanic Row	37	1995	Lofts/rental
11	**Market–Market Condos** Market between 23rd and 25th	10	1996	Condos

Map	Project, Address, Owner or Developer	Number of Units	Opening Date	Type
12	**2009 Postoffice Street**	4	1996	Apartments
13	**Telephone Company Building**	NA	1998	Apartments
	525 22nd Street at Church			
14	**Mensing Building**	NA	1999	Apartments
	2116 Strand			
15	**Fish Building**	8	1999	Lofts
	Postoffice Street			
	Total	971		
	Planned or Proposed			
16	**Hendley Building Lofts**	8	2000	Lofts/rental
	2016 Strand			
17	**Anaco Building**	87	2000	Apartments
	1 Moody Center	(est.)		
18	**E.S. Levy Building**	NA	2000	Lofts/rental
	23rd and Mechanic			
19	**St. Germain**	10	NA	Condos
	2102 Postoffice Street			
20	**Jean Laffitte Hotel**	NA	NA	NA
	2102 Church			
	Total	971		

Galveston Metropolitan Area

Population	245,556
Total employment	116,257
Median household income	$35,629
Number of single-family units constructed since 1990	11,257
Number of multifamily units constructed since 1990	1,539
Number of downtown units completed since 1990	78

In the 1990s, the revitalization of downtown Galveston went into full swing. The Strand Historic District is the center of revitalization efforts. Numerous residential projects are sprinkled among the various commercial buildings restored to their early 20th Century glory. As in San Antonio, downtown residential projects first appeared about 20 years ago. Several projects date back to the 1980s and early 1990s, and a new round of projects began in the mid-to-late 1990s.

Most of the new housing is located on the Strand, Mechanic Street and Postoffice Street. Until 1995, all projects contained ten units or less. That year, Randall Davis, a Houston developer, opened his first building outside Houston with the conversion of the Clarke and Courts Building into the Strand Lofts containing 37 loft-style units. Since then, plans for larger projects have been proposed, including the Anaco Building, which may be turned into 87 units, and the Jean Laffitte Hotel, which may become student housing. Nearly all projects are rental apartments.

Because downtown Galveston is located near the University of Texas Medical Branch campus and students live in many of the older apartments near downtown, area rents vary considerably. However, newer projects offer rents similar to those in larger cities, ranging from $700 to $1,500 per month. The Strand Lofts, which include in-building covered parking in the rent, range from $800 to $1,585 per month. Rents per square foot range from 83 to 93 cents per month. Strand Lofts management reports they are 96 percent occupied. Nearly all occupants use their unit as a primary residence. Some commute to the Houston or Clear Lake areas.

Lubbock

Lubbock Metropolitan Area

Population	229,475
Total employment	119,269
Median household income	$28,642
Number of single-family units constructed since 1990	5,740
Number of multifamily units constructed since 1990	1,498
Number of downtown units completed since 1990	14

Source: Real Estate Center at Texas A&M University

Lubbock is sharing in the late 1990s trend toward downtown revitalization. The southeast quadrant of the downtown area has become a lively entertainment district. An older residential neighborhood adjacent to the north edge of downtown has been undergoing redevelopment, and a large neighborhood adjacent to Texas Tech University is the proposed locale for a major project. The university's recent improvements and stabilizing influence have contributed to a positive atmosphere for downtown development.

Along with the commercial revitalization of Lubbock's central business district, residential development is beginning to occur within the downtown core. One project, Studio 14 on Texas Avenue, opened for occupancy in July 1998. All of its 14 loft rental units are leased, with rents for one-bedroom units from $700 to $850 and $900 to $1,200 for two-bedroom units. The units are typically larger than those found in projects in the larger cities; one-bedroom units range from 1,000 to 1,400 square feet, and two-bedroom units are approximately 2,000 square feet. Amenities include indoor parking, large kitchens, a workout room and washer and dryer in the units. The project is two blocks from the Depot District and Buddy Holly Avenue, the focus of the new entertainment district. The developer, Kim Morris of Kim Morris Interests, is constructing another 16 units across the adjacent alley. Morris' future plans include renovation of the Green Building on Avenue J into 30 residential units and conversion of the historic Pioneer Hotel into 80 units.

The Studio 14 project renovation cost was about $750,000, with a local bank providing the financing. Morris reports that financing has been the greatest obstacle to proceeding with other downtown housing projects. With the success of Studio 14, lenders may be more willing to provide financing.

Renters at Studio 14 fit a profile similar to those in downtown projects in the larger cities: childless renters, mostly single and from 23 to 55 years old. They choose to live in Studio 14 for the unique urban character of the units and the downtown environment. About half of the renters work within two or three miles of Studio 14 at entities such as the university and the medical center. Morris estimates 60 percent moved to Lubbock from larger cities where they may have experienced a more urban lifestyle.

Waco

Waco Metropolitan Area

Population	203,446
Total employment	96,654
Median household income	$28,557
Number of single-family units constructed since 1990	3,013
Number of multifamily units constructed since 1990	1,337
Number of downtown units completed since 1990	32

Source: Real Estate Center at Texas A&M University

Waco's downtown housing projects are unique in their mix of residents, which includes a significant number of university students. A total of three projects, all rental lofts, have been or are being constructed. The best-known project, Behrens Lofts on Fourth Street, received media attention for not meeting its construction deadlines for completion in summer 1999 despite having signed Baylor University students to take occupancy for the fall 1999 semester.

Other projects include the 12-unit Praetorian Building at Sixth and Franklin and the 20-unit Holiday-Hammond on Mary Street. According to Downtown Waco, Inc., rents range from $600 per month in some Praetorian units to $1,675 for the soon-to-be-opened Behrens Lofts. Planned and proposed projects include the Southwestern Drug building on Fifth Street, proposed by the Behrens Lofts developer, and the Waco High School, proposed for conversion to lofts and office space.

Wichita Falls

Wichita Falls Metropolitan Area

Population	137,237
Total employment	63,291
Median household income	$29,653
Number of single-family units constructed since 1990	1,830
Number of multifamily units constructed since 1990	587
Number of downtown units completed since 1990	24

Source: Real Estate Center at Texas A&M University

In Wichita Falls, unlike other small cities, downtown residential development has evolved concurrent with commercial revitalization, and in some cases preceding commercial efforts. In 1994, the Franklin Place Apartments at 824 Indiana opened with nine units leased. Plans are in place to convert another floor of the building into apartments as well. Another project, the 15-unit La Salle Crossing Apartments at Seventh and Ohio Streets, opened in 1999. The developer of Franklin Place, Randle Forcher, is building the 29-unit Richmond Condominiums, a conversion of an older apartment complex. Wichita Falls leaders look to projects such as these to begin a substantial resurgence of downtown economic activity.

Forcher plans to sell the Richmond Condominiums for about $70 per square foot. Floor plans will range from 624-square-foot one-bedroom units to 1,800-square-foot two-bedroom units. A major selling point will be the 59 covered parking spaces adjacent to the building.

Forcher found from his earlier Franklin Place project that people moved downtown purely for lifestyle reasons. None of the Franklin Place residents work in downtown Wichita Falls. Tenants tend to range in age from 20 to 35 and are single. Most moved from elsewhere within the Wichita Falls area.

Forcher believes his market niche is “wide open” and is confident that interest in downtown housing will continue to build in Wichita Falls. A completed unit at the Richmond Condominiums that opened to the public during summer 1999 drew a considerable number of visitors. He and his son-in-law are examining six more downtown buildings for residential conversion or renovation. Financing is the major stumbling block because his product is new in the area, and lenders are skittish about getting involved. In fact, he self-financed the $1.1 million Richmond Condominiums construction.

Bryan, Denton, San Angelo and Beaumont

Bryan, Denton and San Angelo are typical of smaller cities where a few small-scale residential projects have appeared in historic buildings downtown. In Bryan, residential units are appearing on the second floors above office or retail space along Main Street and on surrounding blocks. One of the most significant projects to date is the Bikini Cap Building, also known as the Jarrett Pharmacy. Its second floor is being converted into four loft-style apartments. Unexpected costs encountered during the renovation are pushing asking rents to about $1.25 per square foot. The Forgey Building, renovated by a Texas A&M professor, is nearby.

Denton and San Angelo each have seen a variety of small commercial buildings around Main Street converted to lofts on their second or upper floors. According to Denton’s Main Street Project, a total of 27 loft apartments now exist downtown. Most are in buildings with one to four units, although one developer is building a six-unit rehabilitation project and plans a 20-unit new construction project. In San Angelo, the Cactus Hotel offers several apartments. A couple has purchased an old rooming house on South Oakes Street for conversion to residential units. In Beaumont, a downtown housing study is being conducted to determine the feasibility of redeveloping historic buildings into lofts and apartments.

The depth of the downtown residential market in these smaller cities is difficult to estimate. Adding to the challenge for developers in these cities, especially where the trend in downtown living is in its infancy, is the need to have adequate financing resources to complete building renovations. While financial assistance is available through federal and local historic preservation agencies, the cumbersome and restrictive nature of the assistance often makes the project less profitable than proceeding without government help.

Projects

The Forgey Building, Bryan

The Forgey Building on Main Street in downtown Bryan contains the owner's home and a rental unit upstairs, at a rate of $1.10 per square foot. Professor Fred Forgey estimates that of the 13 downtown residents in Bryan one-half live in units they developed themselves. Professor Forgey reports that many of the units in Bryan are occupied by the developers, typically independent businesspeople who often run their business in a downstairs office or retail shop. Renters may work at a downtown business but choose to live downtown for the lifestyle, not proximity to work. New downtown residents often have moved from another city. They typically value the sense of familiarity and community that develops among the residents, businesses and others located downtown.

201 and 205 Oak Street, Denton

Developer Mike Kevlin is planning to demolish two buildings on 201 and 215 Oak Street in downtown Denton and build two three-story buildings containing 20 apartments. He will orient them to a relatively upscale market in Denton, with rents running about $1 per square foot, according to a November 12, 1999, *Dallas Business Journal* article. The units, ranging from 500 to 1,500 square feet, are expected to be ready by spring 2000. Because the historical nature of the area attracts residents, Kevlin is designing the buildings to reflect the surrounding early-1900s architecture.

Summary of Market Characteristics

Singles and married couples with no children are the target market for downtown housing. Empty nesters and retirees are another source of potential residents. The owners and managers of many downtown housing properties stress the diversity of ages from early 20s to mid 60, and occupations, from students to highly paid professionals to retirees.

Apart from the absence of children, the common factor among the homebuyers and renters in downtown areas is the desire for an urban lifestyle. Even in cities with heavy traffic congestion, such as Dallas and Houston, the majority of downtown residents have selected the neighborhood for lifestyle considerations. Of course, convenient commutes are an important factor as well, but surveys and interviews indicate that only about half of employed downtown residents work in the central business district or immediate environs.

Many people interested in living downtown are attracted by the diversity and historic nature of buildings and uses. Young professional workers are excited about living downtown because of nearby entertainment, recreational and dining facilities.

Public parks and transit also are important issues for those considering living downtown. Security is another major issue, for residents insist on a sense of adequate safety. Added security features can contribute to a perception of safety. Not surprisingly, as urban crime rates have declined, downtown housing has become more popular.

Challenges to Developing Downtown Housing

Developing downtown housing can be difficult, particularly in smaller markets. Financing may not be available because lenders are unwilling to take on the perceived higher risk in downtowns where housing has not established a strong foothold. Development costs may be uncertain, particularly in renovations of older buildings where unusual features or structural problems may be revealed after rehabilitation has begun.

Most cities have federal and local financial incentives to develop downtown housing, including loans, tax credits, tax abatements and infrastructure and parking development. In some cases, these incentives can reduce the cost of the project, but in other cases, the red tape associated with the incentives, along with development restrictions, negate the benefits.

Even without using historical preservation financial aid, developers can find the requirements for building code upgrades and the dominance of commercial zoning to be challenging constraints. Development approvals are generally time-consuming and difficult to obtain. Assembling property also may take time. Both local governments and consumer preferences may require that parking facilities (usually structures in major cities) be added to downtown residential projects, further increasing development costs.

In addition, downtowns are viewed as being riskier developments because of the lack of quantifiable markets. This is in part because many cities currently have little downtown housing, meaning that the market must be created. Physically comparable property may be difficult or impossible to find in the same metropolitan area because downtown housing's uniqueness is typically one of its attractions. Downtown housing demand is driven by consumer preferences that cannot be measured from basic demographic data, so the size of this market segment is difficult to estimate.

The livability of a downtown area can pose the greatest challenge to residential development. Potential residents must feel that safety and cleanliness issues are adequately addressed. Areas dominated by low-income housing and social service agencies may have great difficulty attracting market-rate development. And lack of conveniences, such as grocery and discount stores, discourages those accustomed to suburban settings.

Finally, downtown housing can fall victim to its own success. Individual entrepreneurs often start the residential development trend by purchasing historic buildings at relatively low prices. However, as demand for downtown properties grows and the Texas economy continues to sizzle, land and building prices may be too high for development of anything other than luxury residential projects.

Conclusion

Despite the challenges facing downtown housing developers, many projects in cities all over Texas have been extremely successful. Local governments have begun to recognize housing as a key ingredient for downtown revitalization. Central business districts reinvigorated with new commercial and entertainment activity tend to attract new residents. Even in smaller downtowns, the appeal of older buildings with historic character can be enough to draw developers and residents who, in turn, generate new commercial activity. Eventually the demand becomes so visibly strong that new housing is built from the ground up. In Texas' cities, both large and small, public response has been so positive that many projects are leased fully or sold before construction has been completed. Living downtown may be a new trend in Texas, but it appears likely to become an increasingly attractive option for thousands of urban residents.

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