

REAL ESTATE MARKET OVERVIEW

Lubbock

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2001

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REAL ESTATE CENTER

Market Report 1466

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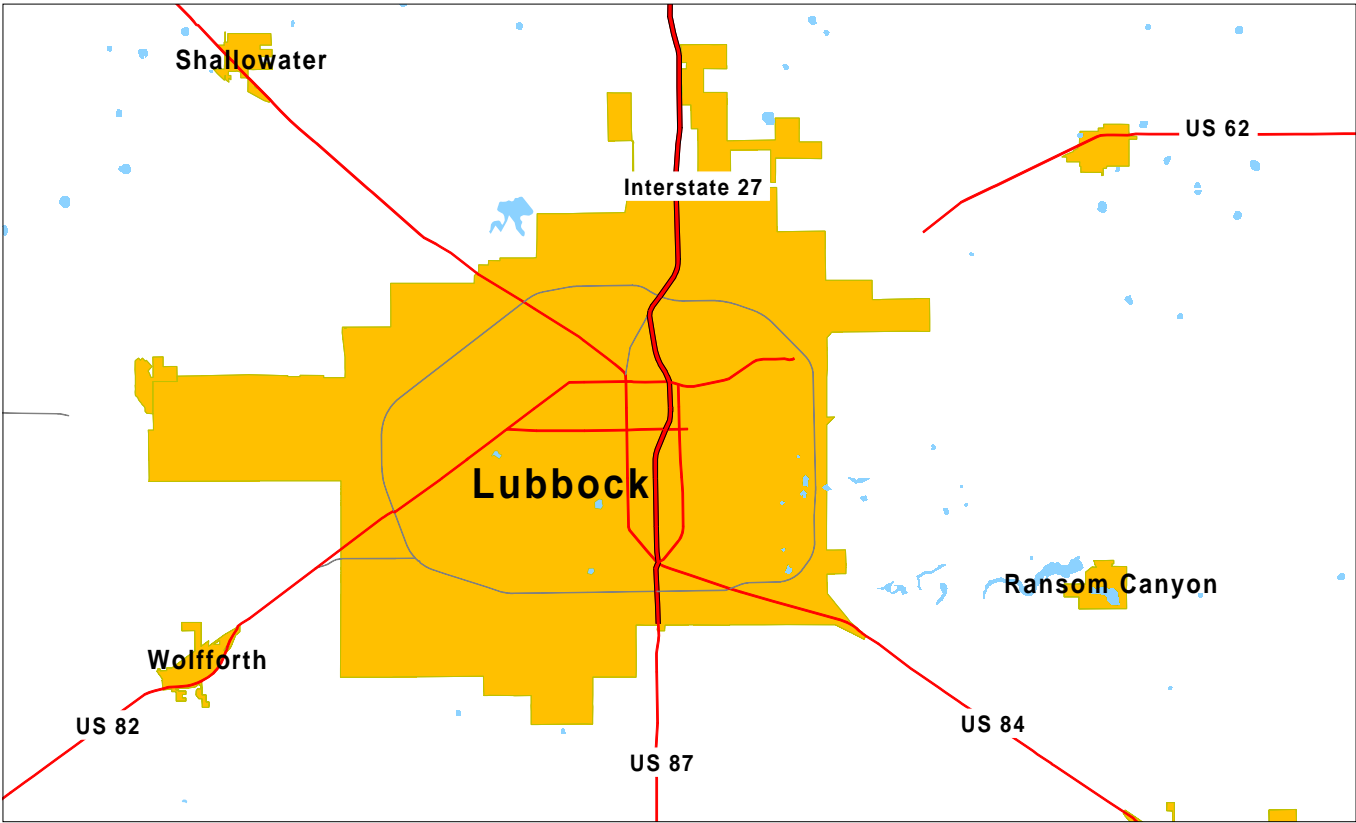
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Area Cities and Towns

- | | |
|-----------|---------------|
| Abernathy | Ransom Canyon |
| Hurlwood | Shallowater |
| Idalou | Slaton |
| Lubbock | Wolfforth |
| Posey | Woodrow |
| New Deal | |

County

Lubbock

Land Area of Lubbock MSA

900 square miles

Population Density (2000)

270 people per square mile

Located in the Texas Panhandle, Lubbock is the center of a 26-county retail trading area in the South Plains. The state's ninth largest

city proclaims itself the Chrysanthemum Capital of the World and prides itself on the beautiful October blooms. The City of Lubbock's land area

encompasses 115 square miles; Lubbock County spans more than 900 square miles. Lubbock County is the only county in the Lubbock MSA.

POPULATION

Lubbock MSA Population

Year	Population
1990	222,815
1991	223,873
1992	224,133
1993	226,765
1994	229,668
1995	231,015
1996	230,932
1997	230,066
1998	228,220
1999	227,890
2000	242,628

Source: U.S. Census Bureau, May 2001

The 2000 U.S. Census figures show that the City of Lubbock's population increased 7.2 percent from 1990 for a total population of 199,564. The U.S. Census ranks the city 11th among the 15 largest Texas cities. The City of Lubbock Planning Department unofficially estimates the city's population in 2001 to be

213,406, up 7 percent from the planning department's estimated city population in 2000.

The population growth rate for the Lubbock MSA from 1990 to 2000 was nine percent, according to the U.S. Census Bureau. The city's estimate of the metropolitan area's 2001 population is 251,645.

The Texas State Data Center forecasts the Lubbock MSA to have a relatively stable population over the next 20 years, growing 0.3 percent per year. The Texas Water Development Board projects that the MSA's population will grow at an annual rate of 0.7 percent.

Texas Metropolitan Area Population Change, 1990–2000 (in percent)

McAllen-Edinburg-Mission	48.5	Galveston-Texas City	15.1
Austin-San Marcos	48.2	Tyler	15.5
Laredo	44.9	El Paso	14.9
Dallas	31.5	Corpus Christi	14.3
Brownsville-Harlingen-San Benito	28.9	Victoria	13.1
Brazoria County	26.1	Waco	12.9
Houston	25.8	Texarkana	9.4
Fort Worth-Arlington	25.1	Lubbock	9.0
Bryan-College Station	25.1	Wichita Falls	7.8
Texas	22.8	Longview-Marshall	7.7
Killeen-Temple	22.6	Beaumont-Port Arthur	6.6
San Antonio	20.2	Abilene	5.8
Sherman-Denison	16.4	San Angelo	5.6
Amarillo	16.2	Odessa-Midland	5.1

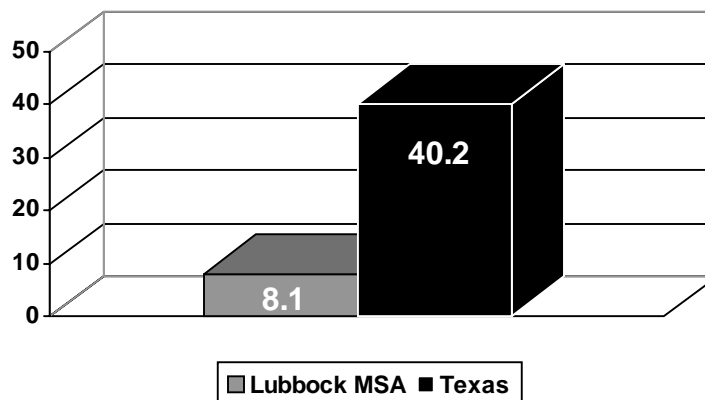
Source: U.S. Census Bureau

Lubbock MSA Projected Population

Year	Texas State Data Center	Texas Water Development Board
2005	247,727	—
2010	253,288	261,695
2015	254,702	—
2020	255,213	279,223

Sources: Texas State Data Center and Texas Water Development Board

Projected Population Growth, 2000–2020 (in percent)



Source: Texas State Data Center

Household Composition

	Lubbock MSA	Texas
Median household size (1990)	2.7	2.7
Population younger than 18 (1999, in percent)	26.7	28.5
Population 65 and older (1999, in percent)	11.2	10.1

Source: U.S. Census Bureau

Ethnic Distribution (in percent)

Ethnicity	Lubbock MSA		Texas	
	1990	2000	1990	2000
White	68.0	62.5	60.8	52.4
Hispanic	22.9	27.5	25.3	32.0
Black	7.5	7.5	11.7	11.3
Asian	1.2	1.3	0.3	2.8
American Indian	0.2	0.3	1.8	0.3
Other	0.2	0.1	0.1	0.1
Two or more races*	-	0.8	-	1.1

*For the 2000 Census, the Census Bureau changed the "race" options, allowing people to report their race as "other" or as two or more races.

Source: U.S. Census Bureau

Since 1990, the area has become more ethnically diverse. Growth of the area's Hispanic population

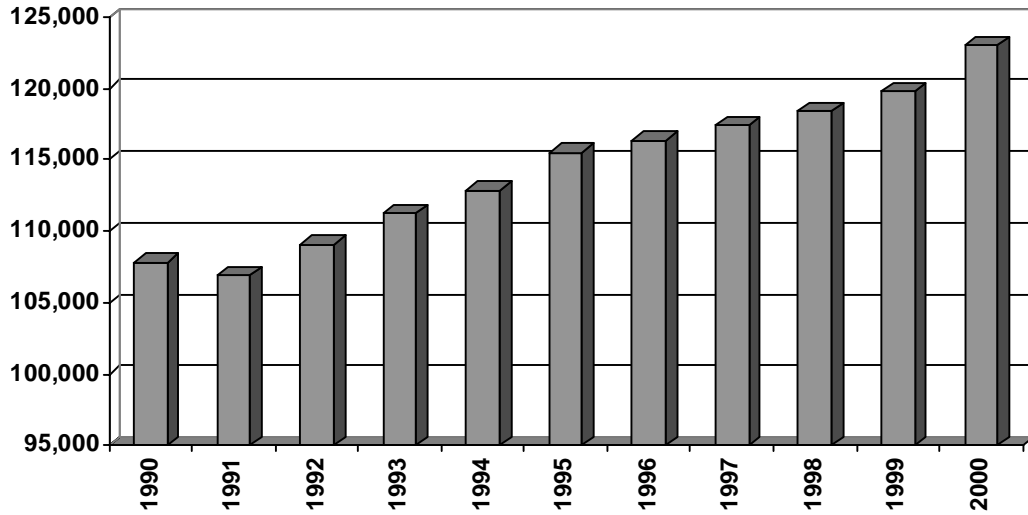
has followed growth of this group in the state as a whole.

The 1999 per capita income in the

Lubbock MSA was \$24,459. The state average was \$26,834, according to the U.S. Bureau of Economic Analysis.

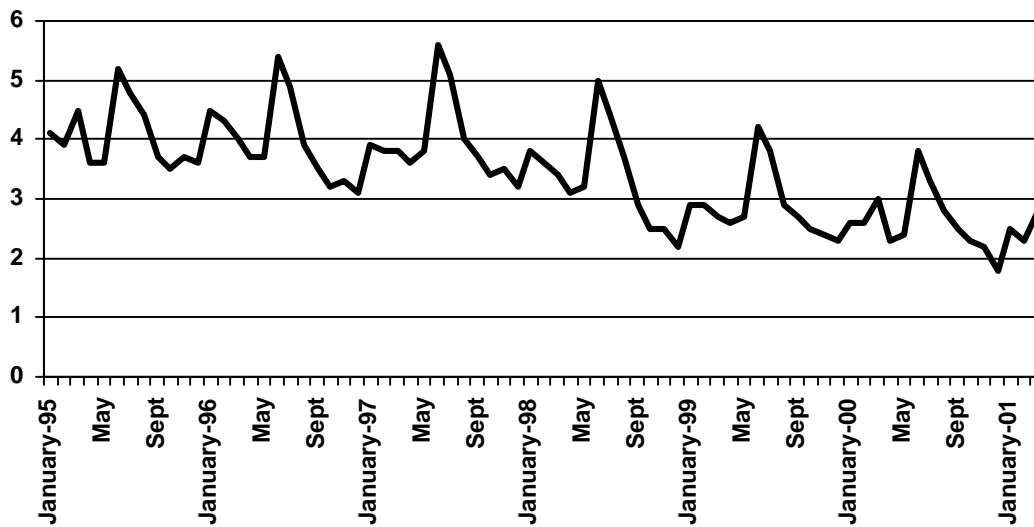
EMPLOYMENT

Lubbock MSA Employment



Source: U.S. Bureau of Labor Statistics

Lubbock MSA Unemployment Rate (in percent)



Source: U.S. Bureau of Labor Statistics

Top Ten Employers	Top Ten Private Employers
Texas Tech University Education 8,535 employees	Covenant Medical Hospital Health care 5,900 employees
Covenant Medical Hospital Health care 5,900 employees	Caprock Home Health Services Health care 1,650 employees
Lubbock Independent School District Education 3,442 employees	Convergys Call center 1,500 employees
Texas Tech Health Science Center Health care and education 2,259 employees	United Supermarkets Supermarkets 1,345 employees
City of Lubbock Government 2,164 employees	American State Bank Bank 559 employees
Caprock Home Health Services Health care 1,650 employees	West TeleServices Call center 558 employees
Convergys Call center 1,500 employees	Southwestern Bell Telephone Telecommunications 522 employees
United Supermarkets Supermarkets 1,345 employees	Industrial Molding Corp. Plastic manufacturing 505 employees
University Medical Center Health care 999 employees	Eagle-Picher Industries Construction machinery manufacturing 482 employees
Lubbock County Government 897 employees	Covenant Home Health Care Health care 250–500 employees

Source: Lubbock Chamber of Commerce

Employment Growth by Industry	Lubbock MSA	Texas
Employment growth, 2000 (in percent)	2.3	3.2
Unemployment rate (in percent)	1.8	4.3
New jobs in 2000	2,700	288,900
Employment growth by sector, 2000 (in percent)		
Services	2.3	4.7
Trade	2.4	3.1
Manufacturing	1.4	0.1
Mining	0.0	2.3
Finance, insurance and real estate	1.7	1.3
Construction	0.0	6.2
Government	2.7	1.7
Transportation, communications and public utilities	14.5	5.1

Sources: U.S. Bureau of Labor Statistics and Texas Workforce Commission

Texas Metropolitan Area Employment Change, 1990–2000 (in percent)

Austin-San Marcos	58.8	El Paso	15.4
Laredo	40.3	Waco	14.3
McAllen-Edinburg-Mission	35.8	Lubbock	14.0
Dallas	30.4	Sherman-Denison	12.5
Brownsville-Harlingen-San Benito	30.1	Longview-Marshall	12.2
Bryan-College Station	29.2	Abilene	11.4
Killeen-Temple	28.7	San Angelo	10.7
San Antonio	28.6	Corpus Christi	10.3
Fort Worth-Arlington	23.7	Galveston-Texas City	8.2
Texas	23.3	Wichita Falls	7.8
Tyler	22.9	Odessa-Midland	6.5
Victoria	22.4	Texarkana	4.5
Houston	22.1	Beaumont-Port Arthur	3.5
Amarillo	18.6	Brazoria County	2.3

Source: U.S. Bureau of Labor Statistics, February 2001

Covenant Medical Hospital is the largest private employer in Lubbock, and Texas Tech University is the area's major public employer. According to the U.S. Bureau of Labor Statistics, from 1999 to 2000, average civilian employment increased 2.7 percent to 122,968 persons. The Texas Workforce

Commission reported a 2.3 percent increase in nonagricultural employment for an average of 120,300 persons employed in 2000.

Unemployment has remained consistently low for several years and is significantly lower than the average rate for Texas. In 2000, the average unemployment rate was 2.6 percent,

according to the U.S. Bureau of Labor Statistics. This rate was down 0.3 percent from 1999.

According to the Texas Workforce Commission, the MSA's 2000 unemployment rate was 1.8 percent. This ranks it third behind the Bryan-College Station and Austin-San Marcos MSAs in lowest unemployment rates.

JOB MARKET

Industrial Molding Corporation, a plastic molding manufacturer, is expanding and will create 41 new jobs with \$1.2 million per year in salaries. Bigham Brothers, an agricultural equipment manufacturer, is expanding and will create 20 new jobs over the next two years as well as \$1.8 million annually in salaries. They will receive \$200,000 in incentive funds from the Lubbock Industrial Foundation.

Wells Fargo will create 400 jobs at its new customer service center. Construction was to begin in early 2001. The company will receive \$290,000 in incentive funds.

Cox Communications has begun construction of a regional call center that will create 300 new jobs over four years. The center should be completed in mid-2002. Cox received \$500,000 in incentive funds from the Lubbock Industrial Foundation.

Southwestern Bell's new wireless customer care center opened in

February 2000 and has generated 1,300 new jobs, 500 more than originally anticipated. In June 2000, United Supermarkets opened a new distribution center that employs 237 workers.

BC Supply plans to add 25 jobs in 2001. Quality Coating is adding 75 employees. Both companies are located in East Lubbock.

Reese Air Force Base, which closed in September 1997, was an economic mainstay for the Lubbock area for more than 50 years. The closed facility has been converted into a center for business, research and education. City economic development planners are working to attract businesses from around the country, and local educational institutions are focusing on education and research at the facility.

The anchor tenant at Reese Technology Center is Texas Tech University. The university's Institute of Environ-

mental and Human Health and wind engineering and vehicle engineering facilities are all located at the center. Amarillo-based Texas T-Bone Express, which conducts research and development on beef production and packaging, and the City of Lubbock Police Department are also current tenants. The most recent additions include three new commercial entities: Aslan Orthotic and Prosthetic Center, Supachill USA and Plains National Bank. South Plains College recently announced a plan to move its Lubbock campus to Reese Technology Center.

In February 2000, Charter Plains closed, laying off 70 employees, and Industrial Molding laid off ten employees. Fleming Companies laid off 85 employees in May 2000 and Montgomery Ward, which will be closing in May 2001, will lay off 75. Bell Dairy laid off 25 employees in the first quarter of 2001.

MAJOR INDUSTRIES

Trade and services are the two major employment sectors in the area. Trade employs 28.5 percent of the workforce in Lubbock, and services employs 29.5 percent, according to the Texas Workforce Commission. The Lubbock MSA ranks fourth among the 27 Texas MSA's in percentage of jobs in the trade industry.

The area's smallest industries in terms of employment are construction and mining. Employing 3.8 percent and 0.1 percent of the workforce, respectively, neither sector realized significant employment growth during 2000.

The government provides 19.9 percent of local jobs, many through the education sector. Texas Tech University is the area's largest employer, with more than 8,500 employees. During 2000, the government sector added 625 jobs.

Lubbock saw its largest employment growth in the transportation, communications and public utilities industry, for which it ranks seventh in percentage of jobs in Texas. This large increase is partially attributable to Southwestern Bell's new wireless customer care center that added 1,300 jobs since opening in February 2000. The industry is expected to continue to grow. Cox Communications is currently constructing a new regional call center.

The medical industry in Lubbock is the largest, with the most advanced technology, between Phoenix and Dallas. The Lubbock Chamber of Commerce estimates that residents from 77 counties visit the area for health-care needs.

Lubbock is home to 900 doctors and dentists. The city's health-care industry employs more than 17,000, with an

estimated annual payroll of more than \$493.3 million. The approximate economic impact to the Lubbock area is \$750 million per year.

Major area health facilities include the Texas Tech Health Sciences Center (TTHSC), University Medical Center, Covenant Medical Hospital, Highland Medical Center and Canyon Lakes Residential Treatment Center. TTHSC includes medical, applied health and nursing schools. In 1998, St. Mary of the Plains Hospital merged with the Lubbock Methodist Hospital System and became Covenant Medical Hospital. The new hospital employs more than 5,000 in the area and has satellite facilities.

Lubbock County's primary agricultural product is cotton. Twenty-five percent of all U.S. cotton production occurs within a 100-mile radius of Lubbock. Production during 2001 was

originally estimated at 3.2 million bales, but has been revised to 2.5 million bales. Cotton sells for approximately 50 cents per pound.

Cotton production for Lubbock and the surrounding 24 counties was at 2.43 million bales in 2000. This figure represents a decrease of 19 percent for 2000 and is also less than the ten-year average of 2.74 million bales.

Area agriculture employs almost 2 percent of Lubbock's workforce. According to the 1997 *Census of Agriculture*, Lubbock's farmland increased 12 percent from 481,539 acres in 1992 to 540,880 acres in 1997. Cotton represented 57 percent of agriculture receipts between 1997-

2000. Beef was the second largest agricultural product, making up 22 percent of agricultural receipts, according to the Texas Agricultural Extension Service. In 2000, Lubbock area agricultural receipts totaled \$114.5 million.

BUSINESS CLIMATE

Tax Rates, 2000

Taxing Entity	Tax Rate per \$100 Valuation
City of Lubbock	\$0.57
Lubbock County	0.19
Lubbock ISD	1.59
Hospital District	0.10
High Plains Water District	0.01
Total	\$2.46

Source: Lubbock Central Appraisal District

Lubbock MSA Retail Sales

Year	Total Sales	Sales per Capita
1990	\$1,982,773,329	\$8,899
1991	2,020,414,028	9,025
1992	2,163,197,982	9,651
1993	2,383,961,735	10,513
1994	2,592,505,481	11,288
1995	2,622,155,767	11,351
1996	2,888,577,820	12,508
1997	2,910,846,918	12,652
1998	3,088,054,038	13,531
1999	3,195,595,931	14,023
2000*	2,324,838,418	
		1999 State Average \$12,332

*Through third quarter 2000

Source: Texas Comptroller's Office

Exports to Selected Destinations – Lubbock MSA

Market	1997	1998	1999	Percent of Trade
Canada	\$9,394,000	\$15,056,000	\$17,782,000	13.4
Mexico	70,410,000	68,319,000	38,749,000	29.3
Caribbean & Central America	1,223,000	1,427,000	2,094,000	1.6
South America	34,338,000	13,465,000	7,581,000	5.7
Europe	33,212,000	51,480,000	24,545,000	18.6
Asia	106,011,000	67,561,000	38,009,000	28.7
Africa	3,882,000	1,074,000	118,000	0.1
Near East	2,884,000	2,690,000	2,073,000	1.6
Australia	825,000	3,814,000	1,029,000	0.8
Total all countries	\$262,179,000	\$225,110,000	\$132,317,000	100.0

Source: Office of Trade and Economic Analysis, International Trade Administration

Exports from Lubbock area businesses were up 34 percent between 1993 and 1999. Since the North American Free Trade Agreement (NAFTA) became effective in January 1994, exports to Canada have increased significantly. Since 1993, exports to Canada have increased 171 percent while exports to Mexico have fallen 12 percent. From 1998 to 1999, exports to Mexico fell 43 percent. Even so, Lubbock exports more products to Mexico than to any other country. Exports to Turkey were up the most during the 1993 to 1999 period, rising 2,795 percent from \$441,000 to nearly \$13 million. Between 1998 and 1999, total exports fell 41 percent. Trade to almost every country fell.

A 1999 survey by the Milken Institute ranks Lubbock 33rd in a list of high-tech areas. Other Texas cities listed are Dallas (second), Austin (21st), Houston (23rd) and San Antonio (43rd). Rankings are based on the concentration of high-tech industries and their economic output in each metropolitan area.

According to the ACCRA Cost of Living Index, Lubbock's cost-of-living index is much lower than the national average. The current composite index for Lubbock is 89.3, 10.7 percentage points less than the national average of 100. Lubbock ranks second in lowest cost of living, behind Texarkana, among 26 selected Texas

cities, and ranks eighth lowest in the nation.

The City of Lubbock continues to work on its plans for a major downtown revitalization. One project is to rebuild the North Overton area as part of a massive project called "The Centre." McDougal Companies is developing the master plan. The project will take approximately ten years to complete and will include the acquisition of more than 600 homes that will be demolished or relocated. In an area bounded by University Avenue, Fifth Street, Avenue Q and Main Street, approximately 458 new homes will be constructed along with Texas Tech faculty housing, other multifamily complexes and several large park areas. The North Overton area project is moving along but remains in the planning stages. Approximately one-third of the 228 acres included in the project have been acquired.

Other downtown projects include renovating the former Citizen's Tower, which has been renamed Omni Office Center. The building will get an entirely new exterior façade.

The 18-month long Broadway Streetscape Project was completed in October 2000. A three-mile stretch of Broadway between University Avenue and Martin Luther King Boulevard was upgraded to include new street lighting, street furniture, landscaping and brick pavers.

In the entertainment realm, the

renovation of the Depot District and its new Buddy Holly Center is the pride of many Lubbock officials. Brick sidewalks, small courtyards, antique lampposts and strategically placed entrance markers have given the area a distinct character. Several historical buildings are now the locations of an array of restaurants and nightclubs. Planners want the district to become Lubbock's premier arts and entertainment node.

The City of Lubbock is involved with business and industrial development through Market Lubbock, Inc. Created in 1995 to promote economic development for the city, Market Lubbock, Inc. assists in business attraction, retention and expansion projects.

According to Market Lubbock, Inc., five key incentives attract businesses to Lubbock. Included in these incentives are tax abatements available for businesses locating within a designated enterprise zone, and infrastructure improvements and upgrades provided by Lubbock Power and Lighting for free or at a lower cost. Market Lubbock, Inc. provides incentives to area businesses creating permanent, full-time jobs. Industrial Molding Corporation is expanding to begin manufacturing fiber optic connections and will receive \$410,000 in incentive funds.

The Lubbock Industrial Foundation distributes limited funds to businesses trying to acquire land for a new location or working to expand existing

facilities. The funds are particularly geared toward export or manufacturing companies. Favorable lease terms and rates, coordinated through the Lub-

bock Industrial Foundation, are available to private sector businesses. Funding for new jobs is available through Market Lubbock, Inc. The

positions created must be permanent, full-time and have a salary of at least \$25,000.

EDUCATION

Educational Level, Persons Age 25 and Older (in percent)

Level of Education	Lubbock MSA	Texas
High school graduate	22.5	25.6
Some college, no degree	22.0	21.1
Associate's degree	5.0	5.2
Bachelor's degree	16.9	13.9
Graduate or professional degree	9.0	6.5

Source: U.S. Census Bureau, 1990

Local College and University Enrollment

School	Fall 2000	2005 (estimated)	2010 (estimated)	2015 (estimated)
Texas Tech University	24,558	25,865	26,103	26,254
South Plains College (Lubbock MSA)	2,992	7,346	7,107	7,115
Lubbock Christian University	1,617	n/a	n/a	n/a
Wayland Baptist University at Lubbock	550	n/a	n/a	n/a

Sources: Educational institutions and the Texas Higher Education Coordinating Board, January 2001

Lubbock is home to several universities and community colleges. The largest, Texas Tech University, has a 1,839-acre campus. The university's main campus offers undergraduate and graduate degrees, the Texas Tech Law School, Texas Tech Health Sciences Center and a teaching hospital. The university is working towards completing all 34 projects included in its comprehensive campus master plan. It recently completed a 14,000-seat basketball facility, the United Spirit Arena, and has begun working on a \$90 million expansion and renovation project for

Jones Stadium. The Texas Higher Education Coordinating Board recently approved an expansion project for the university's Experimental Science Building. Texas Tech will build a new 18-hole golf course. The \$12.2 million project will be privately funded and will be designed to be able to host NCAA events.

Founded in 1954, Lubbock Christian University (LCU) enrolled 1,617 students in the fall 2000 semester. The school started when the state of Texas granted permission for a private educational institution to teach students from kindergarten through

college. LCU gained university status in 1987. The university completed construction of a new apartment-style student-housing complex in August 2000. The complex consists of 16 buildings with a total of 96 bedrooms. The university's newly constructed Rip Griffin Center, a \$4.2 million athletic facility, opened in October 2000. Completion of a 2,600-square-foot expansion project for the Behavioral Sciences building is set for August 2001.

Wayland Baptist University at Lubbock is located approximately 45 miles from its main campus in

Plainview. It has offered academic courses since 1974 and focuses on liberal arts and preprofessional academics. The campus is expanding to include additional office and classroom space for its graduate program. Construction should be completed in July 2001.

South Plains College has its main campus in Levelland but also has a campus in Lubbock and one occupying a portion of the former Reese AFB. In Fall 2000, the Lubbock campus enrolled 1,807 students and 1,185 students were enrolled at the Reese campus. The Lubbock campus has offered courses since 1978 and offers 33 technical certificate and associate degree programs. The college recently announced plans to close its campus

in downtown Lubbock and move operations to the Reese Center on the existing Reese campus.

The majority of the City of Lubbock is served by the Lubbock Independent School District (LISD). Other districts in the area include Frenship, Lubbock-Cooper and Roosevelt ISDs. Private schools offering preschool through elementary education also exist and are predominately parochial. The average pupil-teacher ratio for the city's secondary schools is 14.7 according to the City of Lubbock.

LISD is undergoing several construction projects funded by a \$24.2 million bond package passed in February 2000. Coronado High School's new softball field was completed in December 2000 and is located at the

nearby Stubbs Elementary School. Monterey High School also completed a new softball field in late 2000. The high school's baseball field underwent renovations that were completed in spring 2001.

As part of measures to reduce costs for the district, LISD will close two elementary schools in east Lubbock. Posey and Hunt elementary schools will be closed at the end of the 2000-2001 academic year, and students will be transferred to other area schools. Alderson Junior High will be transformed into an elementary campus and Estacado High School will begin enrolling ninth-graders. In north Lubbock, a third Head Start center was approved by the district and will be located at the former Mahon campus.

TRANSPORTATION AND INFRASTRUCTURE ISSUES

Lubbock Airline Boardings

	1997	1998	1999	2000
Lubbock International Airport	597,333	574,780	570,452	578,976

Source: Lubbock International Airport

Lubbock's major interstate highway, I-27, connects with east-west routes I-20 and I-40. Access to other cities is provided by state highways 82, 84, 87 and 114. These highways are connected by Loop 289.

The Burlington Northern-Santa Fe train line makes 17 trips in and out of the city daily. Twenty-six truck freight carriers serve the Lubbock area.

Lubbock International Airport offers service through Continental, Atlantic Southeast Airlines-Delta Connection, Southwest and American Eagle Airlines and also has eight air freight carriers. The Lubbock Chamber of Commerce reports more than 70 commercial arrivals and departures

each day. The airport serves 1.2 million business and leisure travelers each year and has 24-hour FAA control tower and instrument approach.

Three types of public transit are provided by Citibus in the City of Lubbock: the fixed-route service, demand-response service and the Texas Tech University campus service. Citibus provides transportation to three million passengers each year.

Loop 289, from Slide Road to University Avenue, is undergoing \$10.5 million in improvements including turnaround lanes, landscaping, lane additions and shoulders on frontage roads. Construction was expected to be completed in March 2001.

U.S. 87 from 82nd Street to FM 1585 is being rehabilitated at a cost of \$12.8 million. The 4.2-mile project will be completed in fall 2001. A four-mile stretch of Spur 331, from 34th Street to U.S. 84, is being widened and re-paired. The project should be completed in January 2002. Frankford Avenue, from Loop 289 to U.S. 84, is being widened. Included in this project is construction of an interchange at the intersection of Frankford Avenue and West Loop 289. The \$12.5 million project is set for completion in March 2002.

The Broadway Streetscape Project was completed in October 2000. The three-mile stretch of Broadway from University Avenue to Martin Luther

King Boulevard received \$2.4 million worth of improvements, including landscaping, irrigation and paving.

The Marsha Sharp Freeway, named for the head coach of Texas Tech University's women's basketball team, will be built adjacent to an existing railroad. The city is currently acquiring right-of-way to relocate the railroad so that construction on the freeway can begin in 2002. The freeway project was first described in the 1943 City Plan for Lubbock. The planned roadway has had several names over the years, including Sante Fe Boulevard, Texas Tech Freeway, Brownfield Highway, U.S. 62-82 and the East-West Freeway. The 1964 Lubbock Urban Transportation Plan called for the development of a freeway across the city connecting the original central city to the west and southwest growth areas.

One of the largest transportation projects for Lubbock is the Port-to-

Plains trade corridor route. The goal of the project is to connect the economies of the United States, Mexico and Canada, as well as the local economies. The corridor is a planned four-lane divided highway running from Mexico by way of Nuevo Laredo, through West Texas and ending in Denver, Colorado. Several routes are being considered and the Texas Department of Transportation is currently conducting a route identification study. All four of the routes under consideration run through Lubbock by way of I-27. TXDOT has committed \$134 million for road improvements along the corridor. The federal government's recent designation of the corridor as a main international trade route was a big step forward for the project.

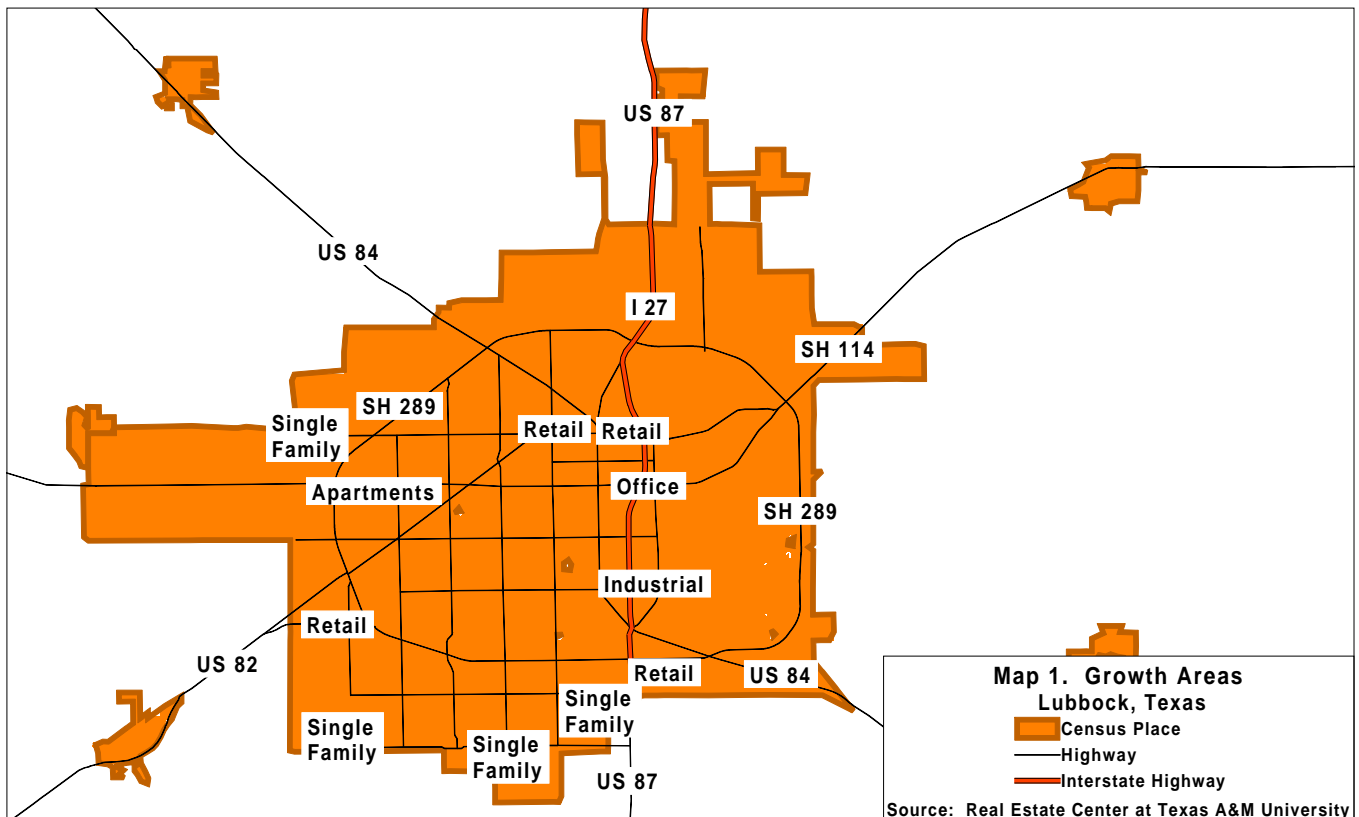
Lubbock's water supplier is the Canadian River Municipal Water Authority (CRMWA), with well fields located in Bailey and Lubbock

Counties. Lubbock has obtained rights to the Alan Henry Reservoir, which will meet the city's water demand through 2030.

The West Texas Region Disposal Facility, just west of Abernathy, is the largest landfill in Texas and will serve the surrounding area for more than 100 years. The 1,260-acre landfill cost \$6.7 million.

The City of Lubbock recently purchased a 4,000-acre site from Lubbock Christian University. The site already has a wastewater disposal facility that will provide the city with an additional 20-30 years of wastewater disposal to help meet growing needs. Currently, Lubbock residents produce almost 20 million gallons of treated wastewater per day. This number is expected to continue to increase over the next several years.

URBAN GROWTH PATTERNS



Map 1 illustrates primary growth patterns within Lubbock. Much of the city's growth is occurring in the southwest, with many new residences and retail businesses built since 1994. South Lubbock has posted commercial and residential growth, especially along University Avenue and 82nd Street.

Commercial growth is focused along Slide Road, Frankford Avenue, 50th Street and 34th Street. Residential developments are coming in along 34th and 50th Streets. The city's newest subdivisions are locating primarily in the growing southwest area.

Ninety percent of the city's residential and commercial growth is occurring

within the area from South Slide to 114th Street and from University Avenue to 82nd Street. This area is projected to be the key growth area in the future. Northwest Lubbock also is beginning to experience some growth in the residential sector, with new entry-level housing.

PUBLIC FACILITIES

Lubbock has three private country clubs and five public golf courses. In addition, it has 68 parks, equating to one park for every square mile in most areas of the city. These city parks, combined with 13 other park areas, cover 3,200 acres. Ranking cities by neighborhood parks per capita, Lubbock ranks first among Texas cities, according to the City of Lubbock.

Mackenzie State Park in Lubbock is a day-use facility on 248 acres. It includes an 18-hole golf course, an amusement park and equestrian trails. Yellow House Canyon Lakes is a series of six lakes on 750 acres. Bond funding was recently approved for an improvement project for the Canyon Lake system. Buffalo Springs Lake provides recreational and leisure opportunities for residents along its 7.5-mile shoreline.

Lubbock also has an array of museums: The Museum of Texas Tech University, The Ranching Heritage Center, Lubbock Lake Landmark State Historical Park, the Robert A. Nash Interpretive Center, the Texas Air Museum, the American Wind Power Center, the Science Spectrum Museum and Omnimax Theatre.

Another museum is in the works. The old terminal building at Lubbock International Airport will be renovated to serve as the Silent Wings Museum. The museum will showcase World War II military glider pilots and their history.

Other arts and culture flourish in the area as well at the Cactus Theater, Lubbock Fine Arts Center, Hemmle Recital Hall, Lubbock Arts Alliance, Municipal Garden and Arts Center and Arboretum, Lubbock Theater and the recently completed Buddy Holly

Center. Opened in 2000, the Buddy Holly Center displays artifacts relating to the rock 'n roll icon, who was a Lubbock native, as well as other West Texas musicians. Ballet Lubbock and the Lubbock Symphony Orchestra attract regular patrons and tourists. Guests also visit Lubbock's two award-winning wineries, Llano Estacado and Cap*Rock Winery. Llano Estacado has been named the most awarded winery in Texas.

A new amphitheater in Mackenzie Park is scheduled for construction during 2001. Canyon Amphitheater will seat 10,000 to 12,000 people and will host large-scale concerts and various other entertainment events. The amphitheater complex design includes an outdoor festival area, beer garden and large, covered pavilion for special events.

HOUSING

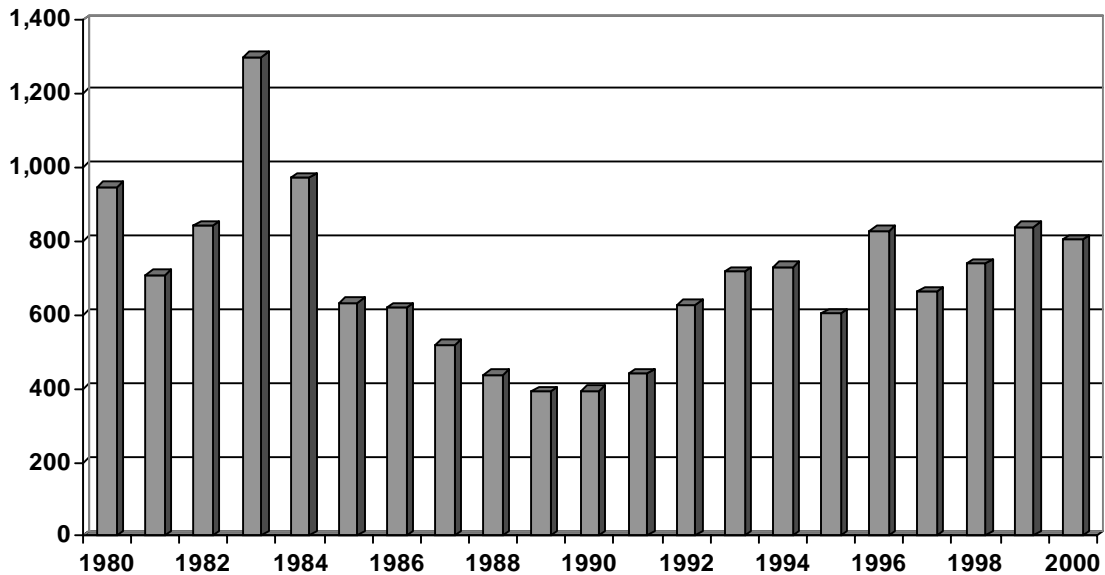
Housing Affordability – Fourth Quarter 2000

	Percent of Households That Can Afford Median-priced Home	THAI*	THAI for First-time Homebuyers
Lubbock MSA	67	1.54	1.06

*The THAI is the ratio of median household income to the income required to buy the median-priced home using currently available mortgage financing. Standard financing is a 30-year loan covering 80 percent of the cost of the home. A THAI of 1.00 indicates that the median household income is just enough to qualify for a loan sufficient to purchase the median-priced home.

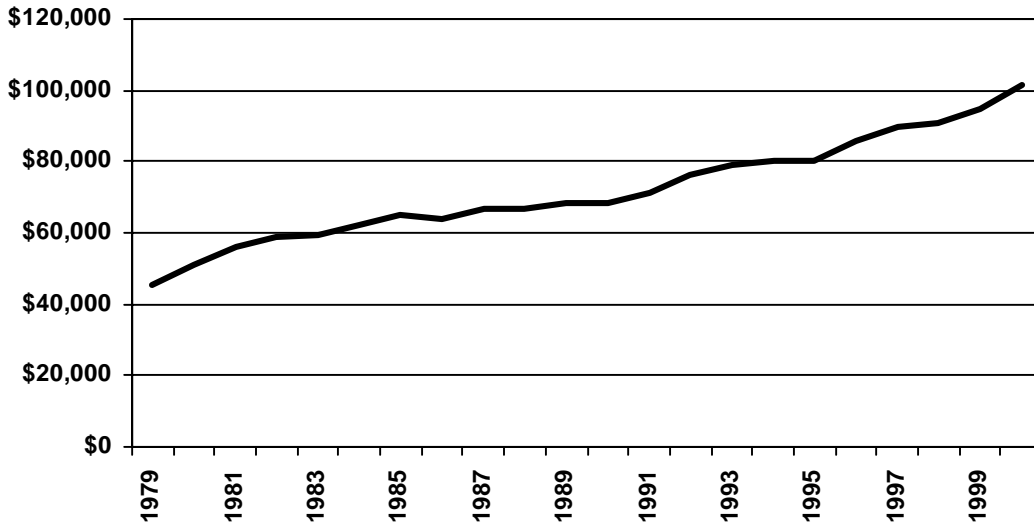
Source: Real Estate Center at Texas A&M University

Lubbock MSA Single-family Permits



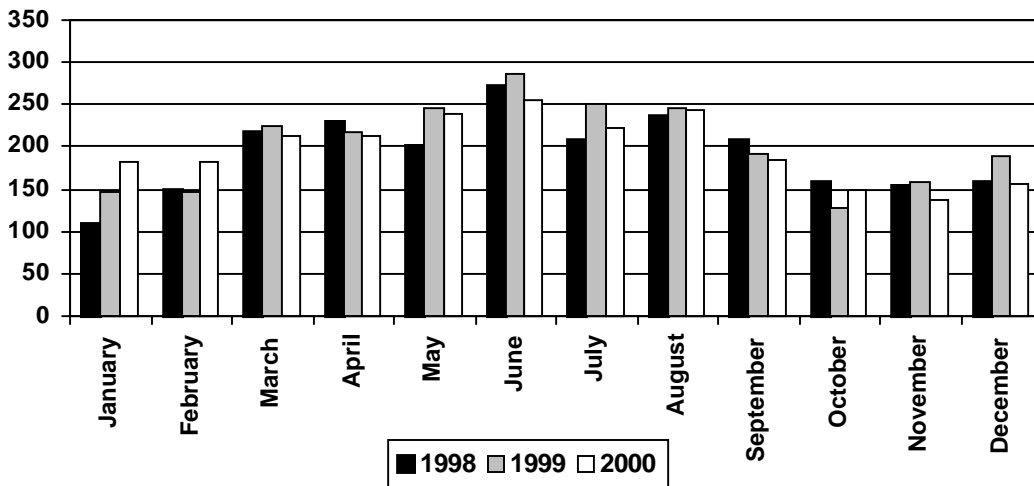
Source: U.S. Census Bureau

Average Sales Price of Single-family Lubbock MSA Homes



Source: Real Estate Center at Texas A&M University

Single-family Home Sales Volume, Lubbock Area



Source: Real Estate Center at Texas A&M University

Price Distribution of MLS Homes Sold, Lubbock Area (in percent)

	1997	1998	1999	2000
Less than \$60,000	33.5	30.8	29.4	24.4
60,000–79,999	24.0	25.3	22.9	23.2
80,000–99,999	15.1	16.2	17.6	17.7
100,000–119,999	9.1	8.1	7.4	9.1
120,000–139,999	5.7	6.3	7.1	7.4
140,000–159,999	3.0	3.7	4.3	4.7
160,000–179,999	2.9	2.1	2.7	3.3
180,000–199,999	1.9	2.0	2.1	2.7
200,000–249,999	2.3	2.7	2.6	3.3
250,000–299,999	1.3	1.0	1.8	2.5
300,000 or more	1.4	1.6	2.0	1.8

Source: Real Estate Center at Texas A&M University

In 2000, 804 single-family home permits were issued in the MSA compared with 837 in 1999.

Residential building was strong in 1997 and 1998. New home permits increased from 662 in 1997 to 738 in 1998. In first quarter 2001, 229 new homes were permitted.

In 1999, the average value of a new home inside the city was \$95,000, compared with \$120,879 in 2000. In the MSA, the average value of a new home in 2000 was \$109,500, compared with \$108,000 in 1999. The majority of construction and platting activity has been occurring in the southwest portion of the city. Within the City of Lubbock, 747 new homes were permitted in 1999, compared with 819 in 2000.

From 1999 to 2000, the average sales price for houses reported sold through the MLS increased while the

total units sold decreased. The total unit sales volume for 1999 was 2,397, falling slightly to 2,307 in 2000. The average sales price increased \$6,500 from 1999, totaling \$101,500 in 2000.

Several new subdivisions are under development, primarily in the southwest area of the city. Two of these are StoneBrook, a 65-acre planned development located just east of Indiana Avenue between 103rd and 105th Streets, and Day Estates, a 214-acre project located off Frankford Avenue between 92nd and 95th Streets.

StoneBrook will have 290 single-family, garden and duplex homes ranging from 1,100 to 1,800 square feet and priced between \$95,000 and \$150,000. The first of a series of ten phases began in January 2000. Day Estates, an upper-end subdivision, will consist of 730 lots with home prices ranging from \$175,000 to \$250,000

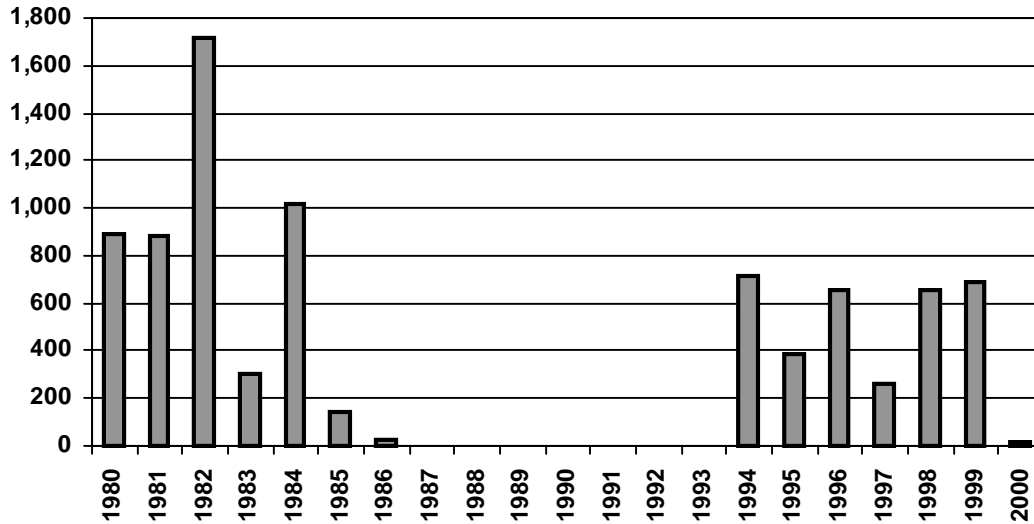
and home sizes ranging from 2,200 to 3,000 square feet.

South Mesa is a 70-acre tract located at the northwest corner of 82nd Street and Avenue P. The development will consist of 331 lots with homes priced from \$75,000 to \$100,000. One of the highest priced new subdivision developments is South Haven, with homes ranging from \$200,000 to \$300,000.

A small amount of single-family home development has been going on in the northwest area of the city. Two subdivisions, Westchester Park and Revier Farm, both featuring homes priced from \$75,000 to \$100,000, are under development. Westchester Park is located west of Milwaukee Avenue and south of Fourth Street. Revier Farm is located west of Milwaukee Avenue and north of 19th Street.

APARTMENTS

Lubbock MSA Multifamily Building Permits (in units)



Source: U.S. Census Bureau

Lubbock Apartment Statistics, December 2000

	Lubbock	Texas Metro Average
Average rent per square foot	\$0.63	\$0.75
Average rent for units built since 1990	\$0.75	\$0.96
Average occupancy (in percent)	94.8	95.7
Average occupancy for units built since 1990 (in percent)	93.1	95.4

Source: Apartment MarketData Research

Apartments in Lubbock generally are located in the south and west areas of the city, near the Texas Tech campus. In 2000, 20 new apartment units were permitted, compared with 205 in 1999. A total of three new complexes were built between 1994 and 2000. The Dominion, a 100-unit complex, is the newest of the three and was completed in mid-2000. In first quarter 2001, 64 multifamily units were permitted.

Lubbock Christian University's \$7 million campus improvement plan

includes 300 apartment-style dormitory units. The new dormitories are to be built in multiple locations, including Chicago Avenue near the courtyard of Katie Rogers Hall and a married student housing complex on 34th Street. In August 2000, sixteen buildings with a total of 96 bedrooms were completed. Additional units may be built in late 2001.

The average unit size increased slightly from 774 square feet in 2000 to 787 square feet in 2001. Average rent increased from \$467 in January 2000

to \$494 in January 2001, according to Apartment MarketData Research.

According to the Lubbock Apartment Association's January 2001 survey, the overall occupancy rate is 92.67 percent.

According to Blosser Appraisal of Lubbock, the local apartment market experienced a positive absorption rate, resulting in a declining overall vacancy rate — 7.7 percent for 2001. Lubbock's vacancy rate was at a five-year low of 5.16 percent in 1997 and a high of 10.07 percent in 1999.

MANUFACTURED HOUSING

Lubbock MSA Manufactured Home Sales

	Manufactured Homes Sold	Proportion of New Single-family Homes (in percent)
1997	383	31.4
1998	352	32.3
1999	335	28.6
2000*	209	25.4

*Through third quarter 2000

Source: Texas Manufactured Housing Association

In 1999, 335 manufactured homes were sold in the Lubbock MSA, compared with 352 in 1998.

Manufactured homes accounted for 29 percent of all new single-family homes in 1999.

SENIORS HOUSING

Carillon, Inc. is constructing a new \$44 million independent-living complex on 25 acres in the heart of Lubbock's medical district. Carillon House, a 107,000-square-foot, four-story skilled nursing center, opened in November 2000. Windsong, a 159,000-square-foot, five-story, independent-living facility

is set to open in April 2001. It will feature 85 one-, two-, and three-bedroom apartments ranging from 850 to 2,220 square feet. The corporation will also develop 18 garden-home villas on the property, featuring all of the amenities of a house but providing

maintenance-free living. The Residence at Shadow Hills is a planned apartment complex geared toward seniors. The complex will have 168 units on Shadow Hills Golf Course. Construction began in April 2001 and is expected to be completed in a year.

RETAIL MARKET

Lubbock Shopping Center Market

	2000	2001
North Sector		
Total space (in square feet)	986,334	984,551
Occupancy (in percent)	77	78
Middle Sector		
Total space (in square feet)	1,123,089	1,113,536
Occupancy (in percent)	80	81
Southwest Sector		
Total space (in square feet)	1,222,753	1,223,338
Occupancy (in percent)	93	93
City-Wide		
Total space (in square feet)	3,316,288	3,321,215
Occupancy (in percent)	84	85

Source: Blosser Appraisal

Hotel Occupancy and Rental Rates

	1999		2000	
	Lubbock	Texas	Lubbock	Texas
Occupancy rate (in percent)	67.7	64.1	70.1	65.8
Average daily rental rate	\$51.21	84.23	\$54.52	86.61

Source: PKF Consulting

According to Blosser Appraisal, Lubbock's multi-tenant retail centers experienced a marginal vacancy decrease of 1.94 percentage points to 15.39 percent between 2000 and 2001. The city has 85 shopping centers with a total of 3.32 million square feet of space. Thirty-two of these centers have zero vacancy. Rental rates vary across centers, ranging from \$4 to \$6 per square foot for older, fair-quality space to \$13.50 per square foot for space in newer, well located centers.

Lubbock has four "big box" retail stores comprising 362,000+ square feet. All four are vacant and face leasing-selling difficulties due to Lubbock's competitive market for department and building supply

stores. No significant new multitenant construction is in the pipeline.

Hotel occupancy rose 2 percentage points during 2000. Average daily rental rates rose 3.1 percent from 1999 to 2000, according to PKF Consulting.

Patel Enterprises is building a new Comfort Inn & Suites at the corner of I-27 and U.S. 84 with completion scheduled for May 2001. The \$2 million, 67-room hotel with 18 suites will anchor a major corner along the I-27 thoroughfare. Also currently under construction is a \$2.8 million, 74-room Homewood Suites in the West Trade Area Center. Homewood Suites is scheduled for completion in May 2001. A Holiday Inn Express is planned for I-27 and 55th Street.

Extended Stay America is planning a 92-room hotel at Utica Avenue and S. Loop 289. Construction is expected to start in May 2001. A Super 8 Hotel is planned on I-27. No construction date has been set.

During the mid-1990s, new hotel-motel construction included the Fairfield Inn, Courtyard by Marriott, Hampton Inn, Super 8, Ashmore Inn & Suites and Patel's first Comfort Inn. Lubbock's most recently completed hotel is an 82-room Hawthorne Suites completed during 2000.

Lubbock's location as a regional center allows the restaurant sector to continue to record gains as residents in neighboring towns and counties visit Lubbock's various eateries. The Texas

Restaurant Association estimates 2001 sales for the Lubbock MSA to be \$319.7 million, representing an annual growth rate of 1.56 percent. In terms of sales, Lubbock ranks tenth among Texas MSA's.

Blosser Appraisal reported an overall vacancy rate of less than 5 percent for Lubbock's dining establishments in 2001. Map 2 shows retail building permits issued in Lubbock during 2000. McDonald's and Kentucky Fried Chicken will both open restaurants on Slide Road. McDonald's will locate its 5,225-square-foot restaurant across from South Plains Mall. The restaurant will replace the one currently located on 50th Street; that restaurant will close. McDonald's recently purchased four Dairy Queen locations and plans to refurbish them and reopen them as McDonald's restaurants.

Jumbo Joe's restaurant and Whataburger will both open locations on University Avenue, a hot area for

development. Riversmith's restaurant will open a new location on Avenue Q to replace its current location. Fazoli's restaurant will open a second location on West Loop 289. Both Riversmith's and Fazoli's will open by summer 2001.

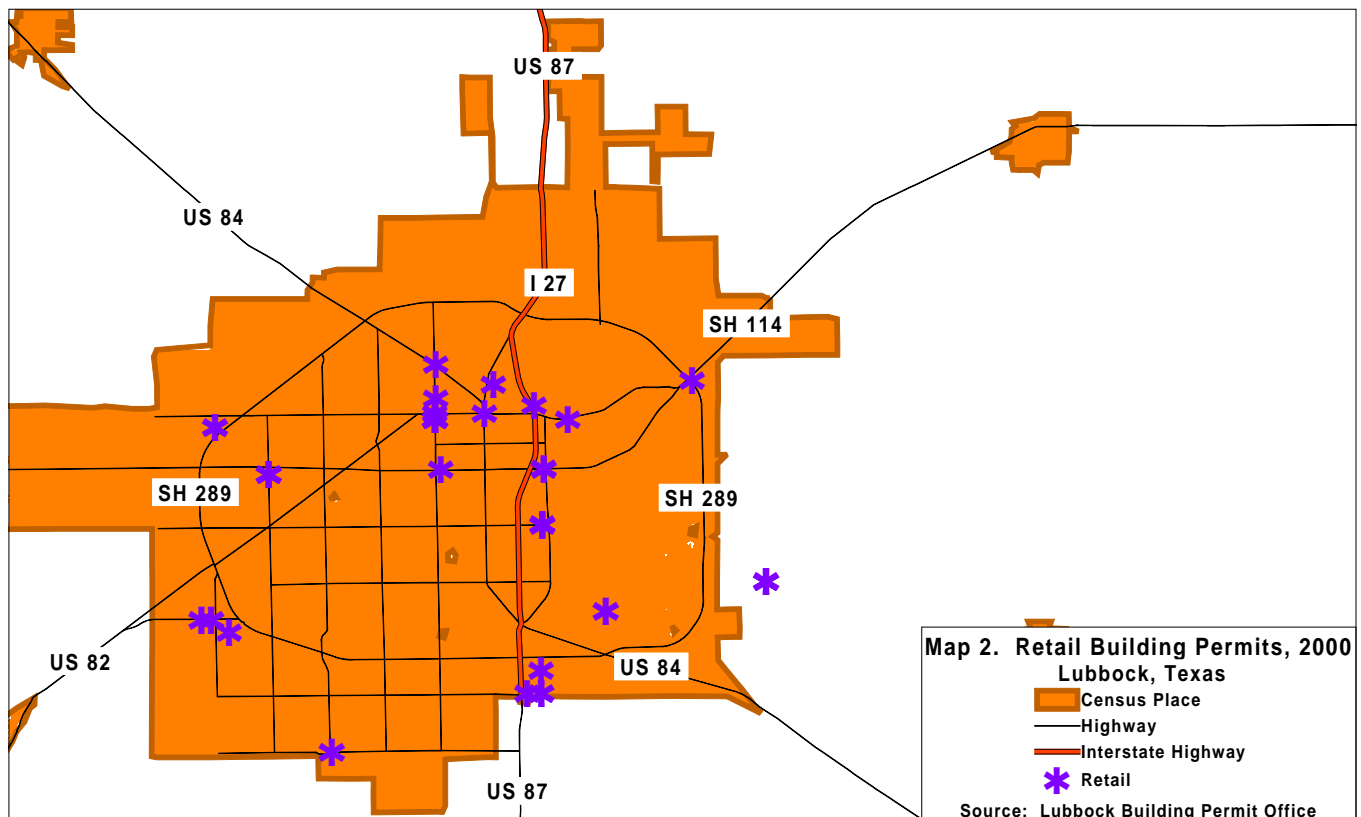
Stella's delicatessen will move from its downtown location into the former Steak and Ale location at 50th Street and Utica. The deli is set to open in June 2001. Casa Blanca, a Mexican restaurant located at 50th Street and Slide Road, closed in Fall 2000. The location is currently vacant.

After losing Service Merchandise and a movie theater, Central Plaza has been brought back to life with the addition of three large tenants, Old Navy, TGI Fridays and Staples. The center is located across from South Plains Mall. Staples was the most recent addition, opening in February 2001.

Gateway Computers opened in December 2000 in the Central Park

Shopping Center. Winchester Square Shopping Center, located at the corner of 50th Street and Indiana Avenue, was razed to make way for Market Street, a 63,000-square-foot concept store developed by United Supermarkets. The store opened in March 2001. Target will add 25,000 square feet and renovate its Lubbock store. Included in the expansion are an in-store pharmacy and a new one-hour photo lab. Completion is set for summer 2001.

In February 2001, the nation's largest drugstore chain, Walgreen Co., opened a fifth Lubbock store at the corner of University Avenue and 82nd Street. The 15,000-square-foot store features a two-lane pharmacy drive-through. A new car wash opened in late 2000 on University Avenue to replace one that was torn down to make way for the new Walgreens store. In January 2001, Furniture Row opened an 80,000-square-foot store on West Loop 289.

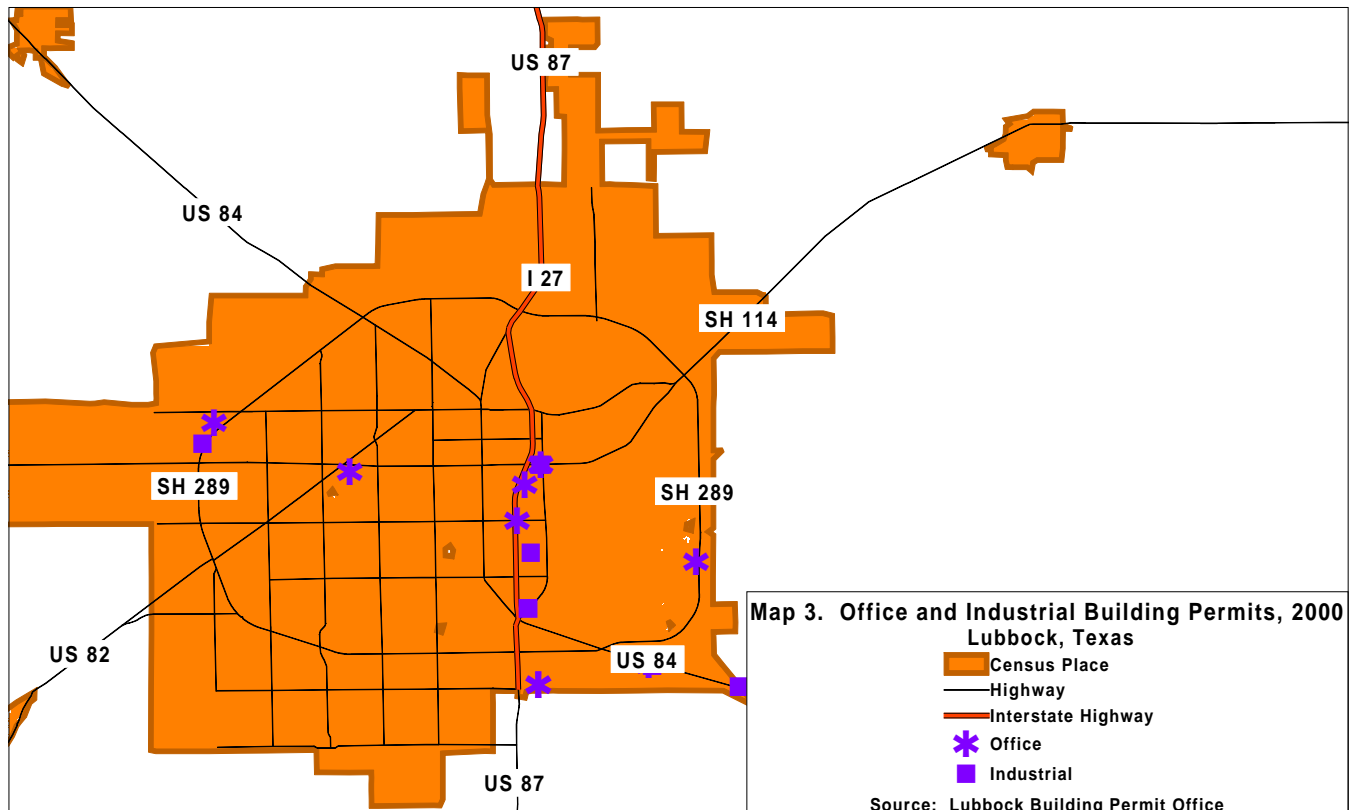


OFFICE MARKET

Lubbock Office Market

	2000	2001
Central business district		
Total space (in square feet)	642,609	630,926
Occupancy (in percent)	78	77
Midtown		
Total space (in square feet)	383,697	383,523
Occupancy (in percent)	88	92
Suburban		
Total space (in square feet)	562,258	576,339
Occupancy (in percent)	88	94
City-Wide		
Total space (in square feet)	2,016,005	2,006,476
Occupancy (in percent)	84	87

Source: Blosser Appraisal



A survey conducted by Blosser Appraisal shows the city's office vacancy rate decreased 3.31 percentage points over the past year to reach 12.85 percent. The city's

most dramatic change in vacancy lies in the suburban market south of Loop 289, which went from a vacancy rate of 12.5 percent in 2000 to a healthier current rate of 5.6 percent. Map 3

shows office and industrial building permit locations issued during 2000 in Lubbock.

The overall market shows 18 office buildings suffered some increase in

vacancy over the past year, 26 improved their position and 19 stayed the same, according to Blosser Appraisal. Thirty-one buildings, 49 percent of those surveyed, have zero vacancy.

Rental rates for Class A office space range from \$12 to more than \$13.50 per square foot per year. Class B structures are leasing from \$9 to more than \$11.50. On the market's lower

side, Class C buildings are leasing for around \$8. All quoted rents are on a gross lease basis.

Covenant Medical Center began construction in May 2000 on a hospital addition. The \$20 million project will add emergency room and radiology space.

An oncology care and research facility will be added to the Lubbock

Cancer Center. Upon opening in spring 2001, the facility will house the only positron emission tomography (PET) scanner located between Dallas and Phoenix. NorthStar Surgical Center is currently under construction and is set to open in spring 2002. The center is Phase 1 of the NorthStar Medical Pavilion, which will eventually break ground on Phase 2: a 100,000-square-foot medical office building.

INDUSTRIAL MARKET

Industrial rental rates have reached a high point, with little vacant space available. Industrial property values increased significantly during the 1990s. The majority of plants, warehouses and service facilities are owner-occupied. This market segment has emerged from a period of salvage sale prices in the early 1990s and experienced healthy growth toward the end of the past decade.

In 2000, nine industrial permits valued at \$4.4 million were issued by the city. In late 2000, Plains Cotton Co-op opened several cotton storage warehouses totaling 254,800 square feet. An 87,131-square-foot cotton bale load-out facility was also constructed. The warehouses and load-out

facility are all located in southeast Lubbock, along Southeast Drive near 50th Street.

United Supermarkets built a 10-acre, \$25 million distribution center that opened in 2000 on Loop 289 at East 19th. ADC opened a manufacturing and warehouse center at I-27 and U.S. 84 in 2000.

The Lubbock International Airport Interport Trade Center is an on-airport commercial-industrial development project on 3,000 acres. The site offers direct access to the region's highway, rail and air transportation. The U.S. Customs Service occupies office space within this property. Lubbock Interna-

tional Airport's industrial areas have been designated as an enterprise zone.

Reese Technology Center is a 3,000-acre, master-planned research and business park on the former site of the U.S. Air Force's pilot training base. It has research facilities, office space and hangar facilities. The center offers 158 spaces for a variety of uses with more than 550,000 square feet of office space and 350,000 square feet of storage and maintenance space.

Also at the center are two 10,000- by 150-foot runways and one 6,500- by 150-foot runway. Of the center's one million square feet of usable space, 87 percent is occupied.

CONCLUSION

Lubbock has a low unemployment rate and four colleges that reinforce the workforce's skills and education. The city is a major regional distribution center. Its location in the center of the West Texas Southern Plains and Eastern New Mexico provides easy access to the Southwest.

Although Lubbock's agricultural sector experienced difficulties throughout 1999 and 2000, the transportation and communications sector underwent tremendous growth. The trade, services, government, health and manufacturing sectors also are strong in the area.

Southwest Lubbock has been a primary area for commercial and residential growth. Expansions and new businesses have played a part in the city's employment figure gains. The redevelopment of Reese Air Force Base also has encouraged businesses to move to the area.