HOUSING POTENTIALS IN DOWNTOWN AND MIDTOWN HOUSTON

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Prepared for:

Houston Downtown Management District
909 Fannin
Suite 1650
Houston, Texas 77010

Prepared by:

CDS Market Research
9225 Katy Freeway
Suite 322
Houston, Texas 77024

Supporting Sponsors:

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EXECUTIVE SUMMARY

1. Based on a survey of 758 households with incomes of $30,000 or more residing in 103 zip code areas of Harris County, 12% have a strong desire ("very likely") to move to Downtown or Midtown. This translates to total aggregate demand for all price ranges of 80,000 units.

2. Consistent with the findings of the 1993 and 1998 surveys, there are two prime target markets for Downtown/Midtown renters and buyers -- high-end renters paying $1,000 or more per month that account for 10,300 of total demand, and Downtown/Midtown/Texas Medical Center employees other than those already accounted for as high-end renters making up 40,000 units of total demand.

3. The large majority (62%) of top prospects want to move within one year "if the right product is made available at the right price."

4. 76% of highly interested households want to purchase while 34% prefer to lease. The proportion wanting to own in 2003 is up from 65% in 1998.

5. Townhomes, lofts and low-rises are the most highly desired types of product. High-rises fell back in popularity from 1998 and mid-rises continued to decline.

6. 21% of prospective buyers and renters are willing to pay $1,300 per month or more for housing in Downtown or Midtown. This translates to 16,400 units which is probably a much more realistic estimate of demand than 80,000 units given the current levels of property and construction costs.

7. The Museum district in Midtown is by far the most popular location with a 38% share of potential. Five areas account for 9-10% of potential demand, including: South of the Pierce Elevated (Midtown), Fourth Ward (Downtown), Theater District (Downtown), Near Minute Maid Park (Downtown), and the Historic District (Downtown).

8. In contrast to the general population in the study area, top prospects are far more likely to be apartment dwellers, rent rather than own, have been residents of Houston for shorter periods of time, visit Downtown or Midtown for non-work activities, have previously lived in a downtown, be a one person household, hold a post-graduate degree, be currently employed and be less than 35 years of age.

I. BACKGROUND, OBJECTIVES AND METHODOLOGY

In 1993, CDS Market Research conducted a benchmark survey on behalf of the Downtown District to quantify and analyze the demand for housing in Downtown/Midtown Houston. The results of that study were widely distributed and were utilized by developers, investors, planners, architects, builders and others to gauge the opportunities for new housing development and redevelopment in Downtown/Midtown Houston. A second study was performed in late 1998 which confirmed a continued high level of demand for Downtown/Midtown housing on the part of study area residents. Due to the continued high level of interest on the part of the Houston Downtown Management District, the Midtown Redevelopment Authority and leading developers in tracking demand, and the large number of infrastructure improvements completed or under construction since 1998 -- including Main Street light rail, Downtown street improvements, Minute Maid Park, Convention Center expansion, Hilton Americas - Houston Hotel and Toyota Center -- an updated survey of demand was considered to be highly desirable.

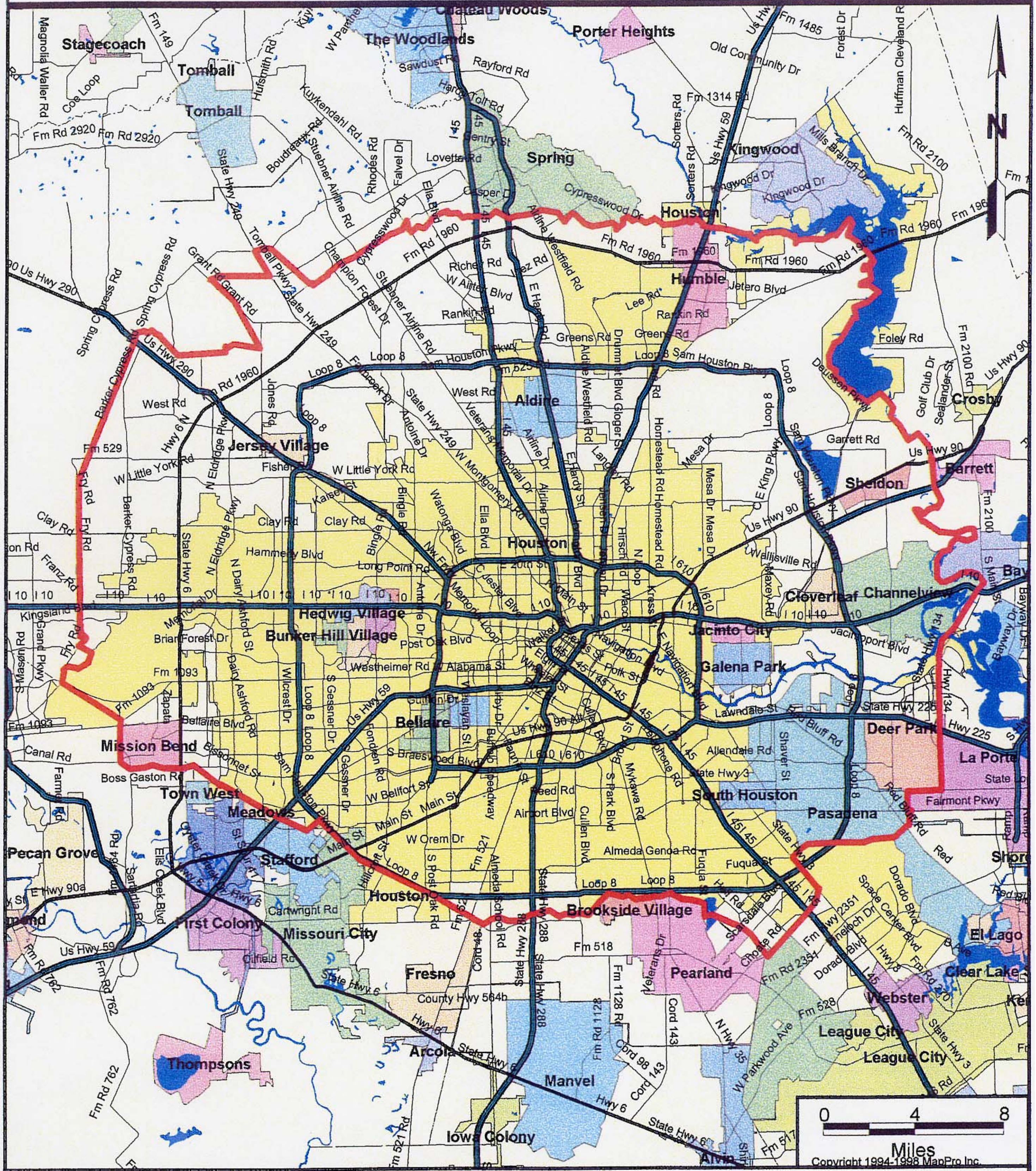
The primary objectives of the study were to:

- Develop estimates of demand for various types, price ranges and densities of both rental and for-sale housing in Houston's Downtown and Midtown areas.

- Describe potential renters/buyers in terms of their current residence, employment status, frequency and reasons for Downtown/Midtown visits, likely timing of move, housing type preferences, room and parking space preferences, payment ranges, location selection criteria and preferences, and demographics.

The methodology utilized for the 2003 study was similar to that used in the two previous studies. The survey was conducted by telephone with a total of 758 respondents with household incomes of $30,000 or more residing in the developed areas of Harris County (see **Exhibit 1**). This study area encompassed 103 zip code areas of Harris County. First, a random sample of 400 adult heads of households were interviewed to produce the basic results of the survey. However, although the random sample results are valid, since only 20% and 5% of the respondents were found to be Downtown/Midtown/TMC employees and high-end renters respectively, the base sample was supplemented with additional listings for these two groups which had been determined in the two previous studies to be prime target markets for Downtown/Midtown housing. The purpose of enlarging the sample of respondents falling into these two categories to a minimum of

EXHIBIT 1
SURVEY AREA



CAUTION: Inaccuracies may exist on map such as missing, incorrectly drawn, or incorrectly addressed streets. Please report any such inaccuracy to MapPro, Inc. so that appropriate corrections can be made.

275 each was to achieve sufficient statistical validity at a 95% confidence level for detailed findings pertaining to these special groups to be meaningful. **Table 1** summarizes the counts of survey respondents interviewed for the original random sample and the enhanced samples together with the maximum sampling error for each. It can be quickly noted that there was significant overlap between the employee and high-end renter samples. High-end renters were defined as households paying $1,000 per month or more in rent (the thresholds in the 1993 and 1998 surveys were $600 and $750 per month respectively).

TABLE 1

COMPOSITION OF SAMPLES AND STATISTICAL VALIDITY FOR EACH

	Total Sample	Random Sample	DT/MT/TMC Employees	High-End Renters
High-end renters * only	156	15 [a]	0	156
DT/MT/TMC employees only	160	75 [b]	160	0
Both	137	5 [a, b]	137	120
Other respondents	305	305	0	0
Total Base	**758**	**400**	**297**	**276**
Maximum sampling error @ 95% confidence level	±3.6%	±5.0%	±5.8%	±6.0%

* Qualified as paying $1,000/month or more in rent.

[a] Total high-end renters: 20 or 5% of sample.
[b] Total DT/MT/TMC employees: 80 or 20% of sample.

Source: CDS Market Research

In calculating total aggregate demand (see Section II to follow), results for the total sample of 758 respondents were utilized. However, to avoid distortion of the projections, the results for high-end renters and DT/MT/TMC employees were weighted down to their correct proportions (5% and 20%) as represented in the random sample.

The survey instrument (see **Appendix A**) was similar to those used in the previous two surveys to facilitate comparisons with earlier findings. However, there were several changes made -- with some questions added, some questions dropped, and others modified with respect to certain response options. An important addition was Q6c which asked interested respondents how soon they would consider moving to Downtown or Midtown. (Previous surveys made no attempt to measure the timing of possible demand.) Several questions relating to features, amenities, rent payment options and one or two other subjects were dropped, as these topics were considered less important than others that were added.

One other small but important change was made in this year's survey instrument. Rather than defining Downtown as lying strictly within the freeways, it was defined as being "inside or near the I-10, U.S. 59 and I-45 freeways" in order to accommodate new housing expansion in the Fourth Ward (part) and East Downtown which are more and more considered to be parts of Downtown Houston.

The survey instrument was pretested during the weekend of August 16 and 17. Full-scale interviewing commenced on August 18 and concluded on September 12. Tabulations and crosstabulations of all responses were completed on September 22. The draft of this final report was submitted on October 3.

II. OVERALL MARKET POTENTIAL FOR DOWNTOWN AND MIDTOWN

The overall market potential presented in this section of the report is based on findings from a survey of 758 heads of households residing in the study area depicted in **Exhibit 1**.

A. Total Aggregate Demand

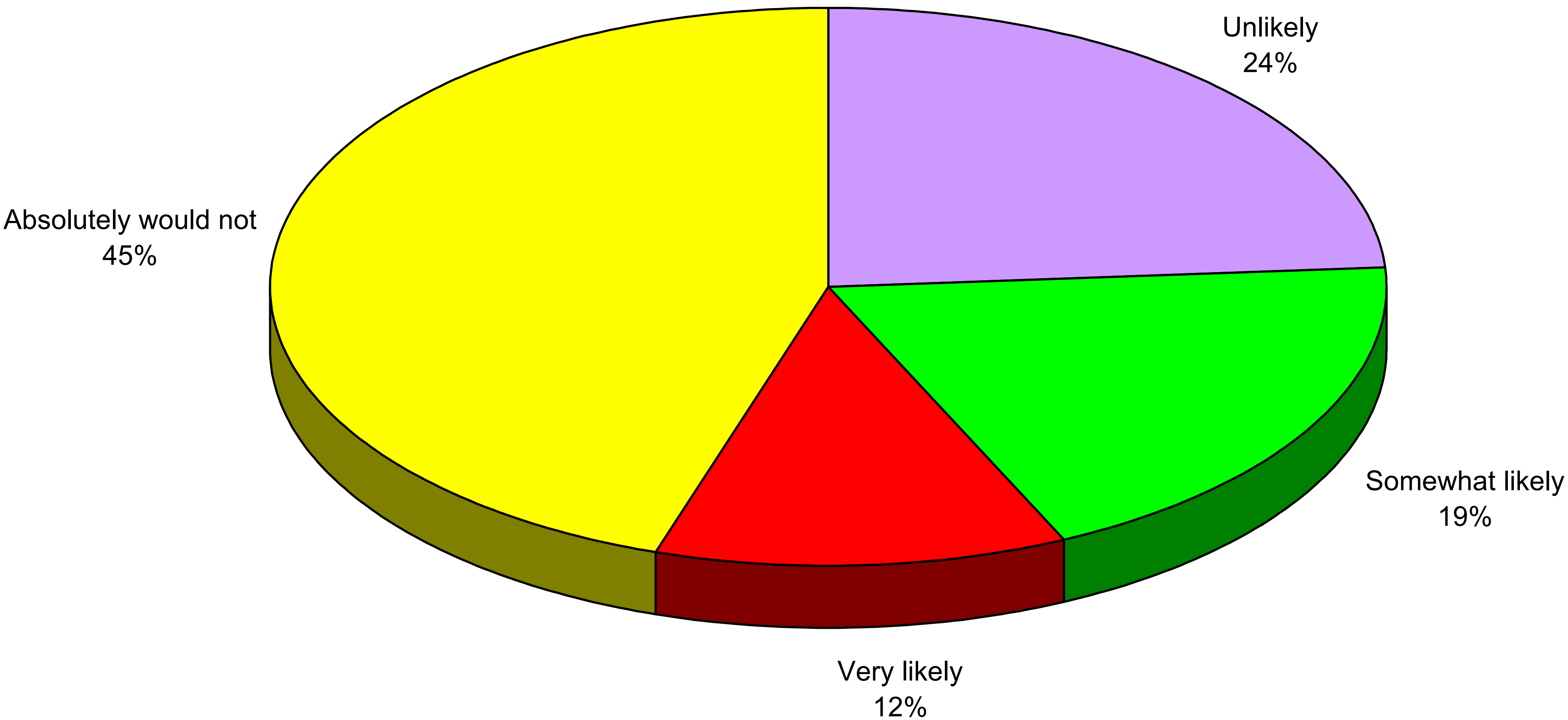
Households. Based on latest estimates of population and households by Claritas, Inc., a leading national population and demographics research firm, there are 666,400 households in the study area with incomes of $30,000 or more in 2003. Total Harris County population is estimated to be 3,569,100. Excluding the 29 zip code areas (including 77002) outside the study area, study area population is currently estimated to be 2,836,100. With average household size estimated by Claritas at 2.82, total study area households are estimated to be 1,005,300. Excluding an estimated 338,900 households with annual incomes below $30,000, there are an estimated 666,400 study area households with incomes of $30,000 or more.

Level of Interest. The 2003 survey indicates that 12% of study area households are "very likely" to live in Downtown or Midtown Houston if the right housing product were available at the right price. This is comparable to the percentages responding similarly in the 1993 benchmark study (12%) and the 1998 tracking study (13%). Another 19% stated that they would be "somewhat likely" to live Downtown or Midtown in this year's survey. However, consistent with the two earlier studies, no housing potential is assumed to be associated with this latter group. In addition, no estimate was made of potential demand on the part of metropolitan area households outside the study area or future Houston area residents originating in other metropolitan areas. **Exhibit 2** shows the breakdown of survey results related to level of interest in living in Downtown or Midtown.

Calculated Demand. Based on the estimated number of income-qualified households in the study area and the percentage of respondents indicating that they will "very likely" move to Downtown and Midtown, aggregate theoretical demand for housing in Downtown and Midtown is estimated to be 80,000 units. (This estimate is not comparable to the 1998 estimate due to a change in methodology. See **Appendix B**.)

EXHIBIT 2

INTEREST IN LIVING IN DOWNTOWN OR MIDTOWN HOUSTON
2003



Study Area Households with Annual Incomes of $30,000+

Approximately 10,300 units of this overall demand will come from high-end renters -- households paying $1,000 or more in rent monthly. Around 42,600 units will be sought by households with one or more persons working in Downtown, Midtown or the Texas Medical Center. However, since 6% (2,600) of these employee households are also high-end renter households, net total demand for these two prominent groups of prospects is 50,300 units. Thus, 29,700 units of total demand will come from residents of single-family homes, townhomes, duplexes/triplexes/quadruplexes, condominiums, and perhaps some apartments and lofts renting for less than $1,000 a month, that have no adult household member working in Downtown, Midtown or the Texas Medical Center.

Timing of Demand. A new question was added to this year's survey asking those respondents indicating that they were "very likely" to live in Downtown or Midtown how soon they would consider moving. **Table 2** reports the likely timing of calculated theoretical total demand based on the survey results. As this table clearly demonstrates, if sufficient product at reasonably affordable prices (discussed later in the report) could be made available, there is very strong immediate demand for housing in Downtown and Midtown Houston.

TABLE 2

TIMING OF AGGREGATE DEMAND FOR DOWNTOWN AND MIDTOWN HOUSING 2003

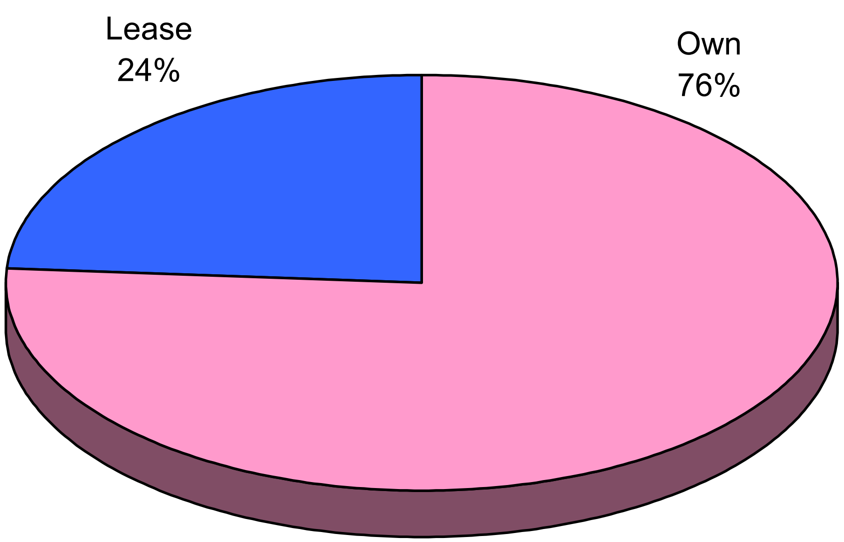
Timing of Move	% of Total	Calculated Demand (Units)
Within 1 year	62%	49,600
In 1 to 2 years	18	14,400
In 2 to 3 years	14	11,200
More than 3 years from now	6	4,800
Total	100%	80,000

Source: CDS Market Research

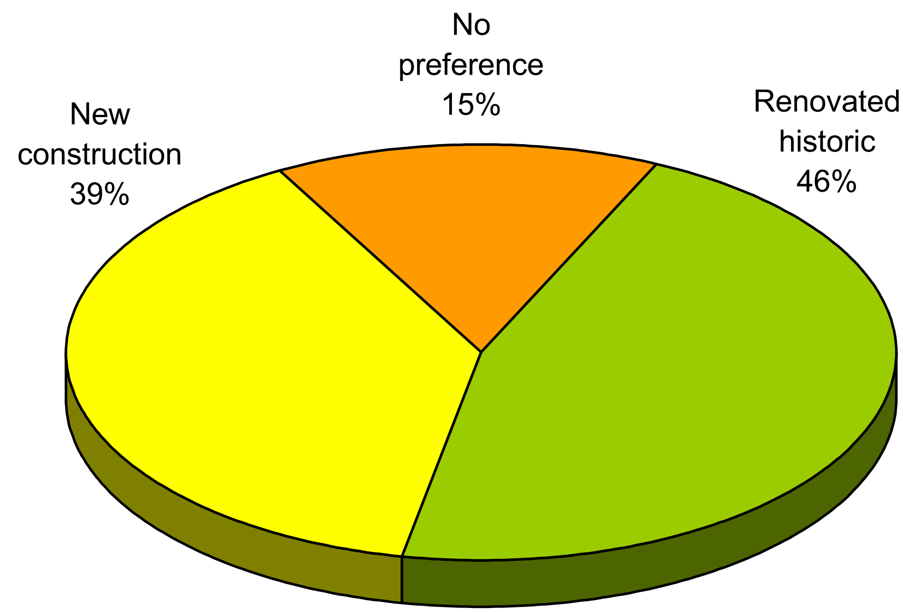
Own vs. Rent. 76% of highly interested households want to own their own homes, while 24% prefer to lease. The percentage of prospective buyers is up sharply from the 65% expressing this preference in 1998, but close to the 80% stating they would prefer to own in 1993. The desire for ownership is quite likely strongly influenced by the current level of interest rates.

EXHIBIT 3

**OTHER CONSUMER PREFERENCES
DOWNTOWN/MIDTOWN HOUSING**



Own vs. Rent



New vs. Historic Structure

Age of Structure. 46% say that they would prefer to dwell in a nicely renovated historic structure. This is down sharply from the 64% indicating this preference in 1998, and somewhat lower than the 52% so stating in 1993. This year, 39% said they would prefer new construction, while 15% indicated that they had no preference. **Exhibit 3** illustrates the ownership and structure preferences of interested prospects.

Product. **Table 3** reports the percentages of survey respondents selecting each type of housing product as their first choice in 2003 compared with 1993 and 1998.

TABLE 3

PRODUCT PREFERENCES OF RESPONDENTS INTERESTED IN LIVING IN DOWNTOWN OR MIDTOWN

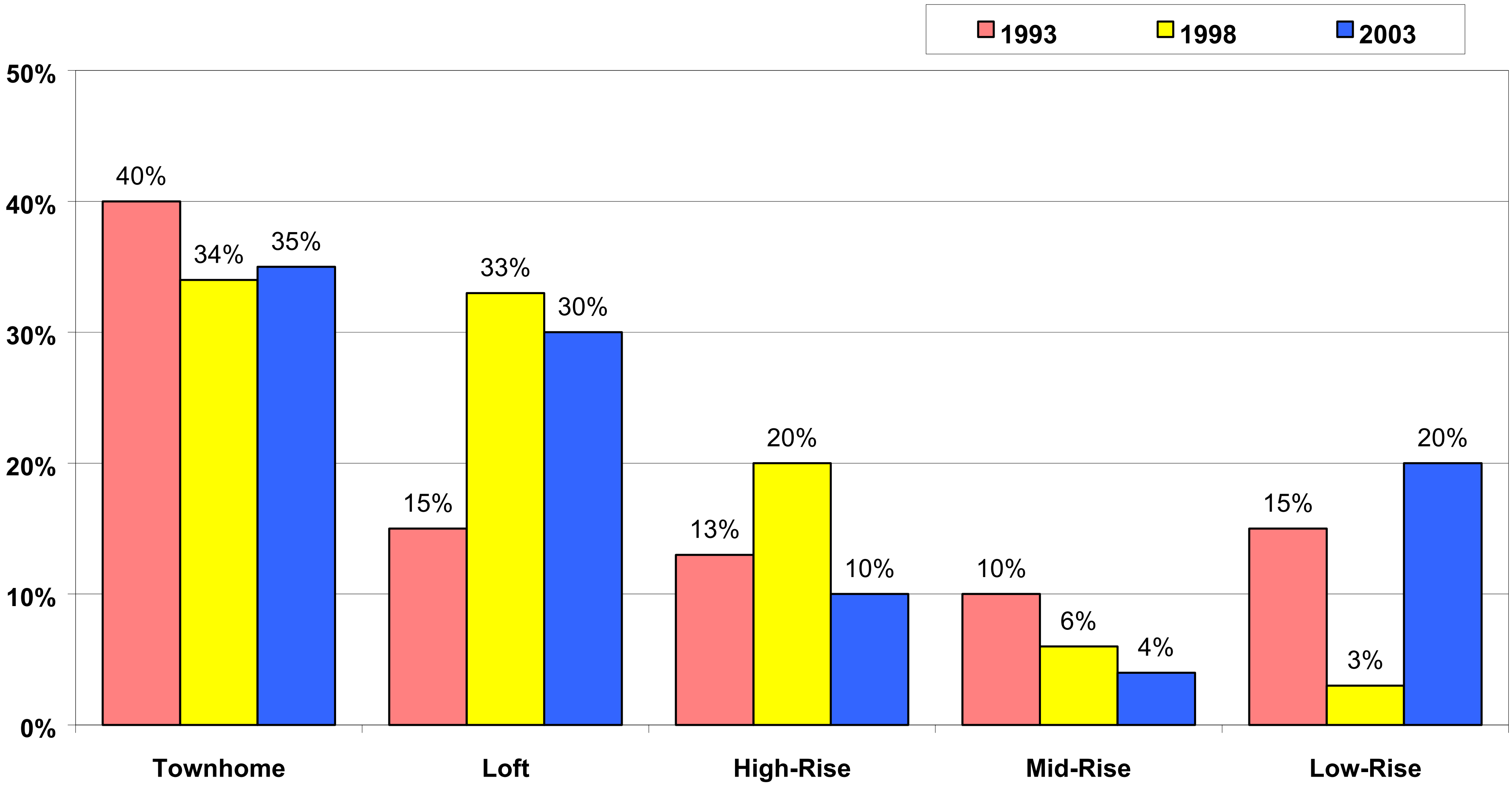
Type of Product	% Selecting as 1st Choice		
	1993	1998	2003
Townhome	40%	34%	35%
Loft	15	33	30
Low-Rise (2-3 floors)	15	3	20
High-Rise (10 floors +)	13	20	10
Mid-Rise (4-8 floors)	10	6	4
Don't know	7	4	1
Total	100%	100%	100%

As **Table 3** illustrates, townhome product remains the most highly desired type of housing for prospects. However, lofts continue to find substantial favor, as they did in the 1998 survey, at twice the level of preference noted in the original 1993 benchmark survey. Low-rise product has taken a sudden jump in preference over that detected in 1998, even exceeding that of 1993. On the other hand, high-rise product fell in popularity from 20% in 1998 to 10% 2003, and mid-rise housing continued to decline in favor. It is possible that the tragedy of 9/11/2001 in New York City played at least a small part in the decline of high-rise product in popularity.

It should be emphasized here that at no point in the survey were respondents asked to relate their product preferences to specific price levels at which alternative products could be made available. They simply responded to a question regarding their desired type of product, with no reference to other factors. **Exhibit 4** illustrates the product preferences of prospects.

EXHIBIT 4

**FIRST CHOICE OF HOUSING TYPE
PROSPECTS FOR DOWNTOWN/MIDTOWN LIVING
(2003 COMPARED WITH 1993 AND 1998)**



B. Aggregate Demand by Product and Price

Table 4 presents an analysis of theoretical demand by product by preferred monthly rental or mortgage payment range. The median monthly payment prospects are willing to pay is $1,040, substantially higher than the amount calculated in conjunction with the 1998 survey of $770. 21% of prospective buyers and renters are willing to pay at least $1,300 per month for housing in Downtown and Midtown Houston. This is equivalent to 16,400 housing units which probably represents a far more realistic estimate of demand for Downtown and Midtown housing than the 80,000 units that may be desired across a broad range of monthly payments given the present costs of land and construction.

As **Table 4** demonstrates, the most appealing payment range for townhome product is $950-$1,299. However, 22% of total townhome potential is in the payment ranges of $1,300 and up. The $950-$1,299 payment range accounts for over 40% of loft demand, with 30% of demand available at higher payment ranges. As might be expected, the predominant preferred payment range for low-rise product is $600-$949 with only 12% of total demand starting at $1,300 per month. Only 4% of high-rise demand and 2% of mid-rise demand appears to be readily available at the higher payment ranges.

TABLE 4

AGGREGATE HOUSING DEMAND POTENTIAL BY PRODUCT AND DESIRED MONTHLY PAYMENT
2003

	Total Housing Potential		Acceptable Monthly Lease or Mortgage Payment														Total
			Less than $600		$600-$949		$950-$1,299		$1,300-$1,649		$1,650-$1,999		$2,000+		Don't Know		
Product Type	**Share %**	**No. of Units (000s)**	**%**	**No. of Units (000s)**	**%**	**No. of Units (000s)**	**%**	**No. of Units (000s)**	**%**	**No. of Units (000s)**	**%**	**No. of Units (000s)**	**%**	**No. of Units (000s)**	**%**	**No. of Units (000s)**	**%**
Townhome	35%	28.0	6%	1.7	30%	8.4	39%	10.9	9%	2.5	6%	1.7	7%	2.0	3%	0.8	100%
Loft	30%	24.0	14%	3.4	13%	3.1	43%	10.4	18%	4.3	1%	0.2	11%	2.6	--	--	100%
Low-Rise [c]	20%	16.0	11%	1.8	44%	7.0	28%	4.5	2%	0.3	5%	0.8	5%	0.8	5%	0.8	100%
High-Rise [a]	10%	8.0	20%	1.6	40%	3.2	26%	2.1	1%	0.1	3%	0.2	--	--	10%	0.8	100%
Mid-Rise [b]	4%	3.2	--	--	22%	0.7	74%	2.3	2%	0.1	--	--	--	--	2%	0.1	100%
Don't Know	1%	0.8	--	--	--	--	--	--	--	--	100%	0.8	--	--	--	--	100%
Totals	**100%**	**80.0**		**8.5**		**22.4**		**30.2**		**7.3**		**3.7**		**5.4**		**2.5**	
% of Total		100%		10%		28%		38%		9%		5%		7%		3%	100%

[a] High-Rise (10+ stories); [b] Mid-Rise (4-8 stories); [c] Low-Rise (2-3 stories).

Source: CDS Market Research

C. Aggregate Demand by Location and Product Type

The number of neighborhood locations for which prospect preferences were measured was increased from the eight used in the 1993 and 1998 surveys to eleven in 2003. The three added were: Museum District in Midtown, Fourth Ward in Downtown (based on the new definition) and Near the Convention Center Hotel/Basketball Arena in Downtown. Due to these additions, comparisons with earlier years' results are not possible.

Table 5 reports location preferences relative to product preferences for respondents indicating that they are "very likely" to live in Downtown or Midtown Houston. The table reveals that one of the neighborhoods added to the survey -- the Museum District in Midtown -- is by far the most popular among Downtown/Midtown housing prospects with a 38% share. It is followed in distant 2nd -- 6th places by five almost equally appealing areas with 9%-10% shares each -- South of the Pierce Elevated in Midtown, the Fourth Ward (newly added), Theater District (ranked No. 1 in 1998), Near Minute Maid Park, and the Historic District near Old Market Square.

Townhomes and lofts are considered the most attractive products in the Museum district. South of the Pierce Elevated, townhomes are by far the preferred product. Townhomes are also preferred in the Fourth Ward, with fairly substantial demand present for lofts. In the Theater District, greatest demand is for lofts and high-rise product. Near Minute Maid Park, low-rise product is most appealing followed by lofts. In the Historic District, demand is greatest for both townhome and low-rise product.

TABLE 5

AGGREGATE HOUSING DEMAND POTENTIAL * BY LOCATION BY PRODUCT TYPE
2003

	Housing Potential		Product Type												Total
			Townhome		Loft		Low-Rise		High-Rise		Mid-Rise		Don't Know		
	Share %	No. of Units (000s)	%	No. of Units (000s)	%	No. of Units (000s)	%	No. of Units (000s)	%	No. of Units (000s)	%	No. of Units (000s)	%	No. of Units (000s)	%
Museum District, Midtown **	38%	30.4	32%	9.7	38%	11.6	9%	2.7	12%	3.7	6%	1.8	3%	0.8	100%
South of Pierce Elevated, Midtown	10%	8.0	78%	6.2	11%	0.9	11%	0.9	--	--	--	--	--	--	100%
Fourth Ward **	10%	8.0	56%	4.5	33%	2.6	11%	0.9	--	--	--	--	--	--	100%
Theater District	9%	7.2	11%	0.8	45%	3.2	--	--	33%	2.4	11%	0.8	--	--	100%
Near Minute Maid Park	9%	7.2	12%	0.9	38%	2.7	50%	3.6	--	--	--	--	--	--	100%
Historic District near Old Market Square	9%	7.2	38%	2.7	12%	0.9	38%	2.7	--	--	12%	0.9	--	--	100%
Near Hotel/Arena **	4%	3.2	--	--	--	--	33%	1.1	67%	2.1	--	--	--	--	100%
Close to St. Joseph's Hospital	3%	2.4	100%	2.4	--	--	--	--	--	--	--	--	--	--	100%
Near Buffalo Bayou	2%	1.6	--	--	100%	1.6	--	--	--	--	--	--	--	--	100%
Chinatown	2%	1.6	--	--	--	--	100%	1.6	--	--	--	--	--	--	100%
Near Foley's	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Don't know	4%	3.2	--	--	--	--	100%	3.2	--	--	--	--	--	--	100%
Totals	**100%**	**80.0**													

* Based on first choices of respondents in 2003 survey.

** Not included as response options in 1993 and 1998 surveys.

Source: CDS Market Research

D. Demographic and Other Characteristics of Prospects

Table 6 presents the demographic and other characteristics of study area households who say they are "very likely" to live in Downtown or Midtown Houston compared to those of the general population with both groups having annual household incomes of $30,000 or more, based on the random survey of a sample of 400 heads of households in the study area. Key findings are as follows:

- Study area residents interested in living in Downtown or Midtown Houston are almost three times more likely to be living in apartments as are the general population. Over 80% of prospects live in apartments or single-family homes.

- Accordingly, the majority of prospects are renters whereas nearly three-fourths of the general population are homeowners.

- Over one-fourth of prospect households have lived in Houston less than three years vs. only 11% of general population households. Still, half of all prospects have lived in Houston over 20 years.

- Prospects are much more frequent visitors to Downtown or Midtown for non-work activities than are the general population. Three-fourths of prospects visit at least twice a month vs. only 35% of the general population.

- Prospects are more than twice as likely to have lived in the Downtown area of some city than the general population. In fact, almost half have done so.

- Single member households account for over a third of prospect households vs. a fourth of general population households. Only 25% of prospect households have three or more persons vs. 36% for general population households.

- Over three-fourths of prospect households have no children under 18.

- Prospect households have attained higher levels of education than general population households. Two-thirds of prospects have college or post-graduate degrees vs. half of general population households.

- Prospect households are far more likely to have at least one member currently employed (80%) than are general population households (65%).

- The new question relating to industry in which employed apparently did not offer enough choices since over a third of both groups did not feel their industry was mentioned as a response option. Nevertheless, prospects are much more likely to be employed in the energy or medical services industries (35%) than are members of the general population (22%).

- Prospects tend to be younger than the general population. 47% are under 35 years of age compared to only 24% of general population heads of households.

- Prospects are spread over a wide number of zip codes. The zip code around the Texas Medical Center (77030) leads all zip codes in percentage of total prospects with 9%.

- Similarly, prospects are spread over a wide number of work zip codes with only 15% stating that they work in 77002 or 77030. However, 22% of prospects either refused to provide their work zip code or didn't know it.

- Nearly three-fourths of prospects are non-Hispanic white.

- Half of prospect households have incomes below $65,000, half above.

TABLE 6

DEMOGRAPHIC AND OTHER CHARACTERISTICS OF STUDY AREA RESIDENTS "VERY LIKELY" TO LIVE IN DOWNTOWN OR MIDTOWN

	Those Likely to Live in DT/MT	General Population
BASE	91	400
Current Residence		
Single-family detached home	35%	69%
Duplex, triplex, quadruplex	1	2
Townhome	9	7
Condominium	8	4
Apartment	46	17
Loft	1	--
Something else	--	1
Total	100%	100%
Own vs. Rent		
Own	42%	72%
Rent	58	28
Total	100%	100%
Length of Time in Houston		
3 years or less	27%	11%
4 - 6 years	6	6
7 - 9 years	4	3
10 - 19 years	11	16
20 years or more	52	64
Total	100%	100%
Frequency of Visits to Downtown or Midtown for Non-Work Activities		
More than 1 time a week	41%	15%
2 - 4 times a month	34	20
1 time per month	7	16
Less than 1 time per month	18	49
Total	100%	100%
Percent Having Previously Lived in a Downtown of Any City	48%	22%

TABLE 6 (Continued)

	Those Likely to Live in DT/MT	General Population
Household Size		
One	35%	24%
Two	40	40
Three	12	16
Four	7	12
Five or more	6	8
Total	100%	100%
Average		
Children Under 18 Years of Age		
None	77%	70%
One	7	13
Two	11	11
Three	4	4
Four or more	--	2
Total	100%	100%
Education		
Less than high school graduate	--	1%
High school graduate	11%	18
Some college, business or tech school	17	24
Business or tech school graduate	6	6
Four-year college degree	35	30
Post-graduate degree	31	21
Refused	--	--
Total	100%	100%
Industry in Which Employed [a]		
Business services	11%	12%
Energy	19	10
Government including ISDs	3	7
Legal services	4	5
Manufacturing	2	4
Medical services	16	12
Transportation	--	5
Wholesale or retail trade	9	8
Other	35	37
Refused	1	--
Total	100%	100%

TABLE 6 (Continued)

	Those Likely to Live in DT/MT	General Population
Current Employment Status [a]		
Employed	80%	65%
Unemployed	11	11
Not in the labor force or retired	8	24
Refused	1	--
Total	100%	100%
Age		
Under 25	12%	7%
25 - 34	35	17
35 - 44	12	19
45 - 54	25	21
55 - 64	12	17
65 - 74	3	8
75 or older	1	9
Refused	--	2
Total	100%	100%
Ethnicity		
White (excluding Hispanic)	72%	65%
Hispanic	6	10
African-American	13	15
Asian	5	3
Native American	--	2
Other	1	3
Refused	3	2
Total	100%	100%
Annual Household Income		
(All Households $30,000 or more)		
Less than $45,000	26%	24%
$45,000 - $64,999	25	18
$65,000 - $84,999	10	11
$85,000 - $109,999	10	14
$110,000 - $159,999	12	7
$160,000 or more	9	8
Refused	8	18
Total	100%	100%

TABLE 6 (Continued)

	Those Likely to Live in DT/MT	General Population
Home Zip Codes		
Top Ten:		
77030	9%	6%
77019	6	3
77063	5	3
77007	4	4
77009	4	1
77088	4	2
77077	4	5
77056	4	3
77024	3	2
77027	3	2
Subtotal	46%	32%
All others	52	69
Refused	2	4
Total	100%	100%
Work Zip Codes [a]		
Top Ten:		
77002	10%	8%
77056	6	3
77019	5	1
77030	5	6
77024	4	2
77031	4	1
77098	3	1
77057	3	2
77027	3	2
77008	3	1
Subtotal	46%	27%
All others	32	38
Refused	10	13
Don't know	12	22
Total	100%	100%

[a] Related question added to survey questionnaire in 2003.

Source: CDS Market Research

III. TARGET MARKETS: HIGH-END RENTERS, AND DOWNTOWN, MIDTOWN AND TEXAS MEDICAL CENTER EMPLOYEES

As a group, high-end renters account for 5% of all households in the study area with incomes of $30,000 or more, based on the survey of 400 randomly selected households. Households with at least one adult employed in Downtown, Midtown or the Texas Medical Center account for 20% of study area households with incomes exceeding $30,000.

The analysis presented in this section is based upon the results of the interviews with the enhanced samples of 276 high-end renters -- defined as renters paying $1,000/month or more -- and 297 adult heads of households who work in Downtown, Midtown or the Texas Medical Center. There is considerable overlap between these two enhanced samples. 43% of high-end renter households are also DT/MT/TMC employees. 46% of DT/MT/TMC households are also high-end renter households. All respondents reside within the study area shown in **Exhibit 1**.

A. Levels of Interest

As **Table 7** and **Exhibit 5** demonstrate, interest in living in Downtown or Midtown continues to increase for both high-end renters and DT/MT/TMC employees. High-end renters indicating that they are "very likely" to live in one of the two areas if the right housing product were available at the right price have increased from 21% and 28% in 1993 and 1998 respectively to 31% in 2003. Percentages for employees have also risen, from 23% and 28%, to 32% in the latest survey. Thus, as more and more housing product is built and occupied in Downtown and Midtown, demand on the part of the two key target market groups appears to be increasing.

Similarly, the percentages of high-end renters and employees stating that they are "somewhat likely" to live in Downtown or Midtown are trending upward. As a result, the overall percentages of renters interested in living in Downtown or Midtown has climbed from 46% in 1993 to 56% in 1998 and 59% in 2003. For the employee group, those expressing interest have risen from 47% in 1993 to 55% in 1998 and 61% in 2003. It seems clear, therefore, that for a variety of reasons Downtown and Midtown are becoming more desirable places in which to live from the standpoints of the two target groups. This, in spite of the fact that there has been utility, street and light rail construction underway for the past three years and a large loss of jobs and increased office vacancy rates associated with the difficulties in the merchant energy industry.

TABLE 7

**COMPARATIVE LEVELS OF INTEREST
IN LIVING IN DOWNTOWN OR MIDTOWN
SPECIAL TARGET MARKETS
1993, 1998, 2003**

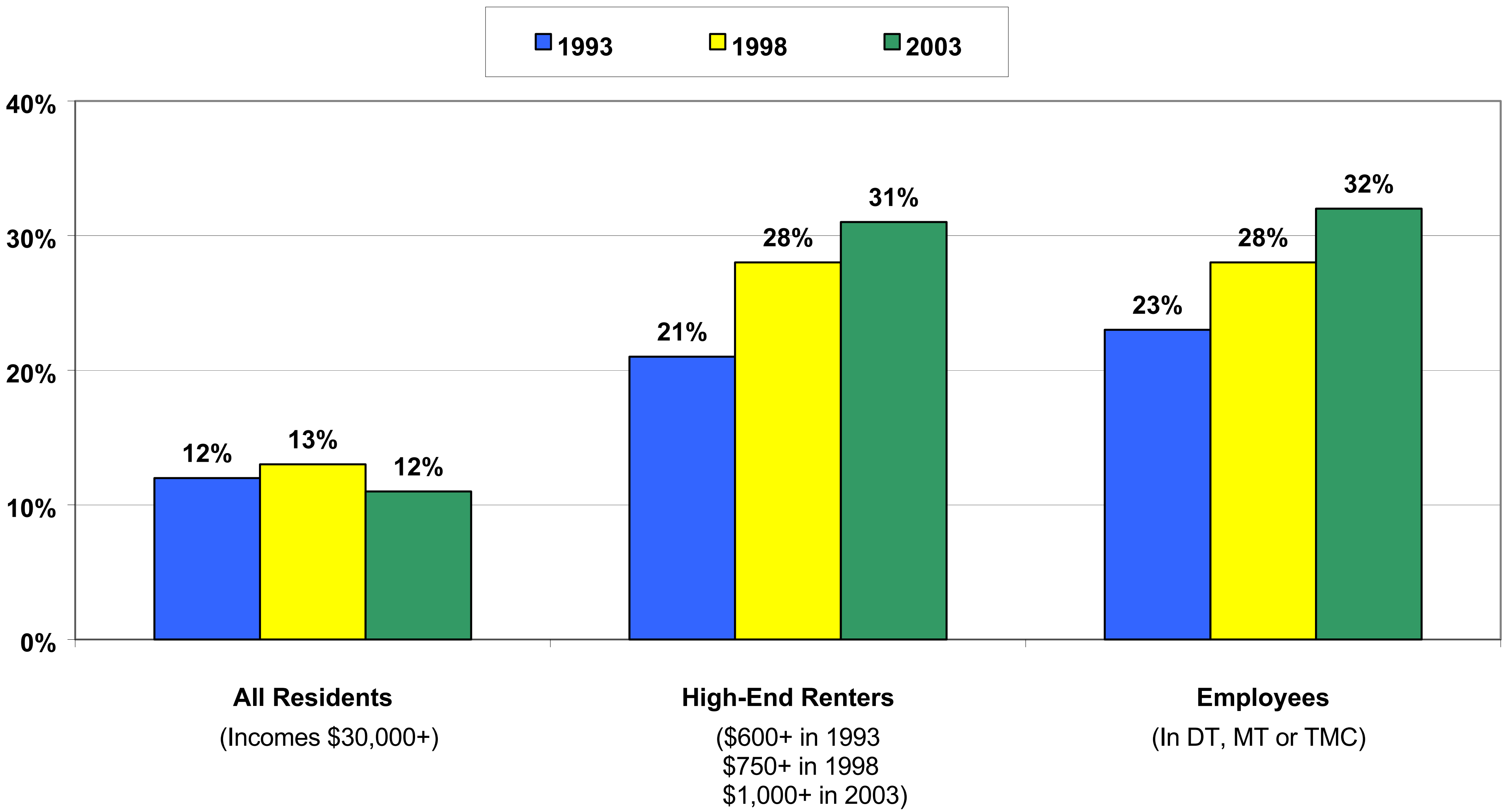
Target Market/Level of Interest	1993	1998	2003
High-End Renters *			
"Very Likely"	21%	28%	31%
"Somewhat Likely"	25	28	28
Total Interested	46%	56%	59%
Employees in DT/MT/TMC			
"Very Likely"	23%	28%	32%
"Somewhat Likely"	24	27	29
Total Interested	47%	55%	61%

* Defined as households paying monthly rent of:
$600 or more in 1993, $750 or more in 1998, and $1,000 or more in 2003.

Source: CDS Market Research

EXHIBIT 5

**PERCENTAGES OF RESIDENTS "VERY LIKELY" TO LIVE IN DOWNTOWN OR MIDTOWN HOUSTON
ALL STUDY AREA RESIDENTS, HIGH-END RENTERS AND DT/MT/TMC EMPLOYEES**



B. Profile of Interested High-End Renters

Table 8 presents demographic and other characteristics of interested high-end renters and DT/MT/TMC employees, with interest qualified on the basis of those indicating that they are “very interested ”or “somewhat interested” in living in Downtown or Midtown.

The profile of interested high-end renters is as follows:

- 98% live in apartments, 2% in lofts.
- Almost half -- 47% -- have lived in Houston less than four years.
- 36% visit Downtown or Midtown more than once a week for non-work activities and another 36% visit 2-4 times a month.
- 40% have previously lived in the downtown area of a city.
- Average household size is 1.9.
- 88% have no children.
- 39% have four-year college degrees and 40% have post-graduate degrees -- a total of 79%.
- Prominent industries in which employed are Medical Services and Energy.
- Over two-thirds are less than 35 years old.
- 70% are white (excluding Hispanic).
- 60% have household incomes of $65,000 or more, and a third of these have incomes of $110,000 or more.
- Non-work related activities regularly pursued in Downtown or Midtown by 50% or more of high-end renters are: dining out, theater or other arts, sporting events and nightclubbing (see **Table 9**).

C. Profile of Interested Downtown, Midtown and Texas Medical Center Employees

The profile of DT/MT/TMC employees, similar to that for high-end renters, is as follows:

- 77% reside in apartments or lofts, 23% in single-family homes, duplexes/ triplexes/ quadruplexes, townhomes or condominiums.
- 86% rent, 14% own their own homes.
- 43% have lived in Houston less than four years.
- 43% visit Downtown or Midtown more than once a week, another 30% visit 2-4 times a month.
- A third have previously lived in a downtown area of a city.
- Average household size is 1.9 persons.
- 84% have no children.
- 40% have four-year college degrees and another 42% have post-graduate degrees -- a total of 82%.
- Medical Services is the leading industry of employment.
- Two-thirds are under 35 years of age.
- 69% are white and non-Hispanic.
- Over half have household incomes of $65,000 or more. 18% have incomes of $110,000 or more.
- Non-work related activities regularly pursued in Downtown or Midtown by 50% or more of DT/MT/TMC employees are: dining out, theater or other arts, sporting events and nightclubbing.

TABLE 8

DEMOGRAPHIC AND OTHER CHARACTERISTICS OF HIGH-END RENTERS AND DT/MT/TMC EMPLOYEES INTERESTED IN LIVING IN DOWNTOWN OR MIDTOWN

	High-End Renters	DT/MT/TMC Employees
BASE	163	180
Current Residence		
Single-family detached home	--	12%
Duplex, triplex, quadruplex	--	3
Townhome	--	5
Condominium	--	3
Apartment	98%	76
Loft	2	1
Something else	--	--
Total	100%	100%
Own vs. Rent		
Own	--	14%
Rent	100%	86
Total	100%	100%
Length of Time in Houston		
3 years or less	47%	43%
4 - 6 years	9	7
7 - 9 years	6	6
10 - 19 years	16	12
20 years or more	22	32
Total	100%	100%
Frequency of Visits to Downtown or Midtown for Non-Work Activities		
More than 1 time a week	36%	43%
2 - 4 times a month	36	30
1 time per month	14	12
Less than 1 time per month	14	15
Total	100%	100%
Percent Having Previously Lived in a Downtown of Any City	40%	34%

TABLE 8 (Continued)

	High-End Renters	DT/MT/TMC Employees
Household Size		
One	30%	34%
Two	54	52
Three	13	10
Four	2	2
Five or more	1	2
Total	100%	100%
Average		
Children Under 18 Years of Age		
None	88%	84%
One	6	9
Two	5	5
Three	1	1
Four or more	--	1
Total	100%	100%
Education		
Less than high school graduate	1%	1%
High school graduate	2	3
Some college, business or tech school	15	10
Business or tech school graduate	3	3
Four-year college degree	39	40
Post-graduate degree	40	42
Refused	--	1
Total	100%	100%
Industry in Which Employed [a]		
Business services	10%	10%
Energy	17	13
Government including ISDs	3	6
Legal services	5	7
Manufacturing	5	3
Medical services	19	23
Transportation	1	1
Wholesale or retail trade	6	2
Other	34	34
Refused	--	1
Total	100%	100%

TABLE 8 (Continued)

	High-End Renters	DT/MT/TMC Employees
Current Employment Status [a]		
Employed	85%	89%
Unemployed	11	7 *
Not in the labor force or retired	4	4 *
Refused	--	--
Total	100%	100%

* Qualified as respondent because spouse is a DT/MT/TMC employee.

	High-End Renters	DT/MT/TMC Employees
Age		
Under 25	18%	15%
25 - 34	50	52
35 - 44	16	14
45 - 54	10	11
55 - 64	3	5
65 - 74	2	2
75 or older	1	1
Refused	--	--
Total	100%	100%
Ethnicity		
White (excluding Hispanic)	70%	69%
Hispanic	9	11
African-American	5	9
Asian	6	5
Native American	1	1
Other	5	2
Refused	4	3
Total	100%	100%
Annual Household Income		
(All Households $30,000 or more)		
Less than $45,000	12%	16%
$45,000 - $64,999	23	24
$65,000 - $84,999	18	18
$85,000 - $109,999	22	17
$110,000 - $159,999	15	11
$160,000 or more	5	7
Refused	5	7
Total	100%	100%

[a] Related question added to survey questionnaire in 2003.

Source: CDS Market Research

TABLE 9

NON-WORK RELATED ACTIVITIES REGULARLY PURSUED IN DOWNTOWN OR MIDTOWN HOUSTON BY HIGH-END RENTERS AND DT/MT/TMC EMPLOYEES INTERESTED * IN LIVING IN DOWNTOWN OR MIDTOWN

Activities	% Regularly Pursuing Activity	
	High-End Renters	DT/MT/TMC Employees
Dining out	76%	82%
Theater or other arts	71%	69%
Sporting events	62%	65%
Nightclubs	54%	58%
Shopping	49%	46%
Physical recreation or parks	39%	42%
Medical visits	36%	37%
Festivals and parades	32%	39%
Personal financial or banking	26%	29%
City, county and federal government services	24%	29%
Attending school	13%	10%

* Including those “very interested” or “somewhat interested” in living in Downtown or Midtown Houston.

Source: CDS Market Research

D. Reasons for Interest in Living in Downtown or Midtown

Table 10 presents the principal reasons why high-end renters and DT/MT/TMC employees have an interest in living in Downtown or Midtown Houston.

The dominant reasons given by both groups was that Downtown and Midtown are centrally located and are conveniently situated with respect to a wide variety of activities. 36% of high-end renters and 32% of DT/MT/TMC employees gave this as their single most important reason. Proximity to work was the No. 2 reason given -- by 18% and 11% of respondents respectively. Avoidance of traffic congestion and reduction in travel time to work also received prominent mention -- by 10% and 9% of respondents. Other factors that were mentioned included “atmosphere/excitement of downtown”, theater/arts/ entertainment/”more to do”, safety and security, and “good impression of Downtown/ Midtown”.

TABLE 10

MOST IMPORTANT REASONS WHY HIGH-END RENTERS AND DT/MT/TMC EMPLOYEES WANT TO LIVE IN DOWNTOWN OR MIDTOWN 2003

	% Mentioning as Single Most Important Reason	
Reasons	**High-End Renters**	**DT/MT/TMC Employees**
BASE	163	180
Central/conveniently located/close to activities	36%	32%
Close to work	11%	18%
Less traffic/less travel time	10%	9%
Atmosphere/excitement of Downtown/like big cities	6%	1%
Theater/arts/entertainment/more to do	5%	4%
Safety/security	3%	3%
Have good impression of Downtown/Midtown	2%	3%

Source: CDS Market Research

E. Housing Product Type and Price Preferences

Table 11 presents the housing type and price preferences of interested high-end renters and employees. As this table demonstrates, the product preferences of the two target market groups mirror each other, with townhome product selected as their first choices by almost half of respondents in both cases. Lofts are preferred by nearly one-fourth of each group. High-rise and low-rise housing are the first choices of 10-12% of both sets of respondents. Mid-rise housing is the least favored type of product among both high-end renters and employees.

With respect to the amount the two groups of respondents are willing to pay monthly for housing in Downtown or Midtown, $950-$1,299 is the preferred range for both groups. 52% of high-end renters and 46% of employees prefer this range. Still, significant percentages of prospective buyers/renters in the two groups appear willing to pay $1,300 or more per month for Downtown or Midtown housing -- 33% of high-end renters and 30% of employees. 6% and 7% of the two groups respectively are willing to pay $2,000 or more.

In the 1998 study, a fairly wide difference ($140) was noted in the median amounts that high-end renters ($1,080) and employees ($940) were willing to pay. This difference closed significantly this year with the median payment desired by high-end renters ($1,200) only $20 higher than that for employees ($1,180). Therefore, in terms of the 2003 survey results, the two target market groups can be considered to be very similar from the standpoints of both product and price preferences. As a footnote, it should be noted that all payment ranges offered as response options in the 2003 survey were adjusted upward from those used in the 1998 survey to reflect the changes in housing costs over the past five years based on the housing component of the Consumer Price Index.

To provide a more detailed picture of product demand, CDS compiled **Tables 12 and 13** which portray product preferences by preferred price range. **Table 12** pertains to high-end renter demand, **Table 13** to employee demand.

As **Table 12** depicts, high-end renter demand for most product types -- townhomes, lofts, high-rise and low-rise -- is concentrated in the $950-$1,299 price range. The lone exception is mid-rise product in the $1,300-$1,649 range. In all cases but the latter, the $1,300-$1,649 range is the second most popular price classification.

The product/price relationship for DT/MT/TMC employees (**Table 13**) is somewhat similar to that for high-end renters in that the $950-$1,299 price range is favored for all products except mid-rise. However, those willing to pay in the $1,300-$1,649 range are balanced by those only willing to pay $600-$949 per month.

Only a tentative comparison of median preferred monthly payments by product for high-end renters and employees is possible due to the tenuous assumption upon which the calculations of median payments are based -- that is that within the payment ranges used in the survey responses are evenly distributed. Based on this assumption, median monthly payments for high-end renters would be highest for mid-rise housing ($1,415) followed by high-rise housing ($1,265). However, median desired monthly payments for the housing types in greatest demand -- townhomes and lofts -- are lower at $1,180 and $1,190 respectively. For employees, the highest median payment acceptable is for high-rise housing ($1,210). Median acceptable payments for the most favored types are $1,175 for townhomes and $1,135 for lofts. **Exhibit 6** compares preferred monthly payments by product for each customer group.

TABLE 11

HOUSING PRODUCT TYPE AND PAYMENT PREFERENCES INTERESTED HIGH-END RENTERS AND DT/MT/TMC EMPLOYEES

Housing Type	% Selecting as 1st Choice: High-End Renters	% Selecting as 1st Choice: DT/MT/TMC Employees
BASE	163	180
Townhome	48%	49%
Loft	24	24
High-Rise (10 floors +)	12	11
Low-Rise (2-3 floors)	12	10
Mid-Rise (4-8 floors)	4	4
Don't know	--	2
Total	100%	100%

Amount	% Willing to Pay Each Month: High-End Renters	% Willing to Pay Each Month: DT/MT/TMC Employees
BASE	163	180
Less than $600	1%	--
$600 - $949	12	20%
$950 - $1,299	52	46
$1,300 - $1,649	23	20
$1,650 - $1,999	4	3
$2,000 or more	6	7
Don't know	2	4
Total	100%	100%
Median	$1,200 *	$1,180 *

* Assuming even distribution of preferences within payment ranges.

Source: CDS Market Research

TABLE 12

COMPONENTS OF DOWNTOWN/MIDTOWN HOUSING DEMAND BY PRODUCT TYPE AND PRICE RANGE HIGH END RENTERS 2003

BASE: 163 Product Type	Estimated Market Share	Median Monthly Payment *	Acceptable Monthly Lease or Mortgage Payment						
			Less Than $600	$600-$949	$950-$1,299	$1,300-$1,649	$1,650-$1,999	$2,000 or More	Unknown
Townhome	48%	$1,180	1%	17%	49%	20%	1%	9%	3%
Loft	24%	$1,190	--	13%	56%	20%	8%	3%	--
High-Rise (10 floors +)	12%	$1,265	--	--	55%	25%	15%	--	5%
Low-Rise (2-3 floors)	12%	$1,170	--	10%	58%	26%	--	5%	--
Mid-Rise (4-8 floors)	4%	$1,415	--	--	33%	50%	--	--	17%

* Assuming even distribution of preferences within payment ranges.

Source: CDS Market Research

TABLE 13

COMPONENTS OF DOWNTOWN/MIDTOWN HOUSING DEMAND BY PRODUCT TYPE AND PRICE RANGE DT/MT/TMC EMPLOYEES 2003

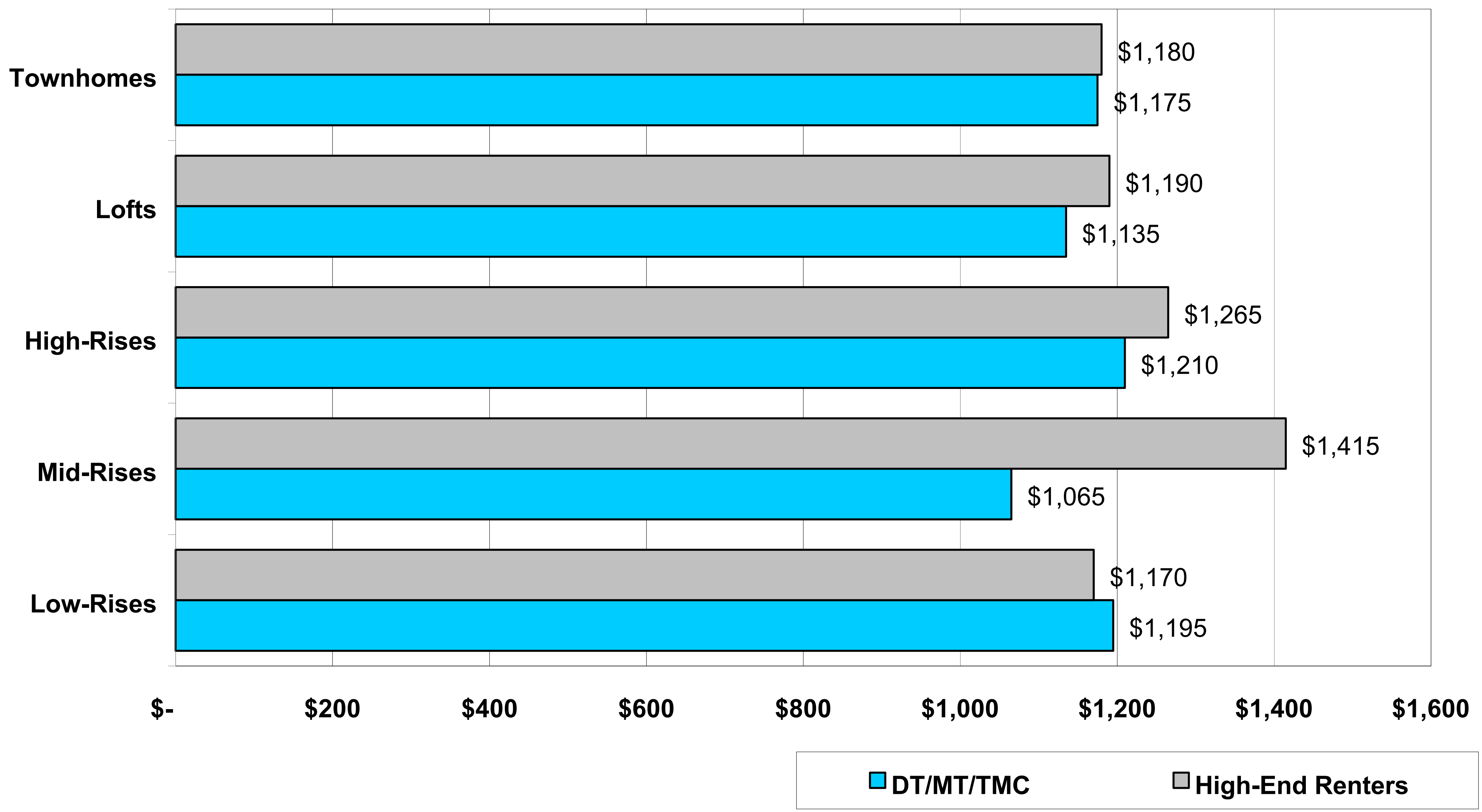
BASE: 180	Estimated	Median	Acceptable Monthly Lease or Mortgage Payment						
Product Type	Market Share	Monthly Payment *	Less Than $600	$600-$949	$950-$1,299	$1,300-$1,649	$1,650-$1,999	$2,000 or More	Unknown
Townhome	49%	$1,175	--	22%	44%	19%	2%	10%	3%
Loft	24%	$1,135	--	28%	44%	21%	2%	5%	--
High-Rise (10 floors +)	11%	$1,210	--	--	63%	21%	5%	--	11%
Low-Rise (2-3 floors)	10%	$1,195	--	11%	56%	11%	6%	11%	5%
Mid-Rise (4-8 floors)	4%	$1,065	--	38%	25%	25%	--	--	12%
Unknown	2%	N/A	--	--	25%	25%	25%	--	25%

* Assuming even distribution of preferences within payment ranges.

Source: CDS Market Research

EXHIBIT 6

MEDIAN PREFERRED MONTHLY LEASE OR MORTGAGE PAYMENT BY HOUSING TYPE HIGH-END RENTERS AND DT/MT/TMC EMPLOYEES



F. OTHER PREFERENCES RELATED TO PRODUCT

New or Historic Structures. In addition to preferences related to type of housing product and monthly payment, interested high-end renters and employees have other desires regarding potential Downtown or Midtown residences. The first of these relates to whether the structure is new or historic. In contrast to 1998 when pluralities of both high-end renters and employees preferred to live in renovated historic structures, more respondents now indicate a preference for new construction (see **Table 14**). Nevertheless, there remains significant interest in historic structures and over 15% of both groups seem to have no preference either way.

TABLE 14

PREFERENCE FOR NEW VS. HISTORIC STRUCTURES
HIGH-END RENTERS AND DT/MT/TMC EMPLOYEES
2003

	% Preferring	
Type of Structure	**High-End Renters**	**DT/MT/TMC Employees**
BASE	163	180
New	47%	44%
Historic	35	39
Either	18	17
Total	100%	100%

Source: CDS Market Research

Own vs. Lease. Both high-end renters and employees in the 2003 survey prefer to own rather than rent a future Downtown or Midtown residence by a ratio of 2-1 (see **Table 15**). This is consistent with the 1998 findings for employees, but this year a higher percentage of high-end renters (66% vs. 53% in 1998) expressed a preference for buying rather than renting. This may be due in part to the low mortgage interest rates that have existed over the past year motivating many renters to consider home purchase. The strong preference for buying on the part of both target market groups is in contrast to their current status with 100% of the high-end renters and 86% of employees (up from 74% in 1998) currently leasing.

TABLE 15

COMPARISON OF OWN VS. LEASE STATUS AND PREFERENCES HIGH-END RENTERS AND DT/MT/TMC EMPLOYEES 2003

	Current Status		Desired in DT or MT	
	High-End Renters	**DT/MT/TMC Employees**	**High-End Renters**	**DT/MT/TMC Employees**
BASE	163	180	163	180
Own	--	14%	66%	67%
Rent	100%	86	34	33
Total	100%	100%	100%	100%

Source: CDS Market Research

Number of Rooms. The number of rooms desired in a Downtown or Midtown residence is quite similar for the two target groups with over half preferring two-bedroom/two-bathroom product (see **Table 16**). Around a fourth of both groups of respondents indicated a preference for 3/2 configurations. Only 6-7% stated an interest in 1/1 product. The 2003 results were fairly comparable to those in 1998 for high-end renters. However, a higher percentage of employees interviewed (51%) prefer 2/2 product than was the case in 1998 (39%), offset by the lower percentage wanting 3/2 configurations (27%) compared to those in 1998 (39%). This may indicate a growing awareness of the scarcity and high cost of 3/2 product in Downtown and Midtown.

TABLE 16

NUMBERS OF BEDROOMS AND BATHROOMS DESIRED
HIGH-END RENTERS AND DT/MT/TMC EMPLOYEES
2003

	% Preferring	
Product Configuration	**High-End Renters**	**DT/MT/TMC Employees**
BASE	163	180
One bedroom/one bath	6%	7%
Two bedrooms/one bath	7	7
Two bedrooms/two baths	54	51
Three bedrooms/two baths	28	27
Four or more bedroom/three or more baths	3	5
Other	2	3
Total	100%	100%

Source: CDS Market Research

Parking Spaces. At the request of one of the developer sponsors, a question pertaining to the number of parking spaces desired was added to the 2003 survey. As **Table 17** illustrates, approximately three-fourths of both target groups want two parking spaces; one-fourth, one space. The desire of the large majority for two spaces may simply reflect their present level of car ownership rather than future needs as it is possible that light rail and other options could alter future transportation choices.

TABLE 17

PARKING SPACES DESIRED
HIGH-END RENTERS AND DT/MT/TMC EMPLOYEES
2003

	% Desiring	
Parking Spaces	**High-End Renters**	**DT/MT/TMC Employees**
BASE	163	180
One	22%	21%
Two	77	77
Three	1	2
Four or more	--	--
Total	100%	100%

Source: CDS Market Research

G. Important Locational Criteria

Table 18 summarizes the most important factors likely to be considered by interested high-end renters and employees in selecting one particular location in Downtown and Midtown over another. Respondents were asked first what single most important reason would influence their location decision, and then were invited to mention up to two additional reasons. As **Table 18** depicts, safety/security/police/low crime rate is still the leading factor considered, both in terms of first mentions and total mentions. However, the percentages of target market respondents mentioning this factor (16-18%) continues to fall dramatically from those noted in the previous two housing studies (66% in 1993 and 43% in 1998 for all mentions combined). Thus, it appears that there is less and less concern about safety and more interest in a lengthening list of other factors. Other factors receiving considerable mention are cost/rent, central location, proximity to stores/shopping and amenities available. All mentions reported in **Table 18** were unaided.

Next, respondents were asked to rate twelve (12) specific factors from "1" (not at all important) to "7" (absolutely essential) relative to their location decisions. **Tables 19 and 20** list these factors, the percentages of high-end renters and employee respondents rating each factor absolutely essential ("7") and important ("5-7"), and the average (mean) ratings for each factor. Being able to park their car within their building or in a garage directly connected to their building ranks as the No. 1 factor in importance for both target market groups, with 68% and 71% of high-end renters and employees respectively rating it "absolutely essential" and 96% of both groups rating it "important", that is 5-7 on a 1-7 scale. Other factors with more than 50% of both groups rating them "important" are -- in order -- having restaurants and convenience shopping nearby, having trees along the street where they live, being near a park with lots of green space, being near a park with hike and bike trails, having a health club on site, being within walking distance of major shopping facilities, and having public transit options within walking distance. The percentages of high ratings for these factors are also reflected in the average mean ratings for each, with all factors just mentioned receiving average ratings well above the midpoint of possible ratings of 4.0. Ratings of these factors by the two target groups are similar except in the case of access to public transit where 63% of employees felt the factor was important compared to only 50% of high-end renters, undoubtedly reflecting the likelihood that more numbers of high-end renter households would continue to work outside of Downtown, Midtown or Texas Medical Center. 60-65% of respondents rating this factor important prefer light rail over buses or rubber-wheeled trolley and 12-15% didn't know which mode they preferred.

Factors ranking the lowest among the twelve specific factors listed, starting with the least important factor, are: being within walking distance of an elementary school -- reflecting the fact that few interested households have any children -- and being within walking distance of the Downtown tunnel system. In general, the 2003 survey findings pertaining to the ten factors included in both surveys approximated those of the 1998 survey.

TABLE 18

MOST IMPORTANT LOCATIONAL CRITERIA
INTERESTED HIGH-END RENTERS AND DT/MT/TMC EMPLOYEES
2003

Factor	First Mention *		All Mentions *	
	High-End Renters	DT/MT/TMC Employees	High-End Renters	DT/MT/TMC Employees
Safety/security/police/low crime rate	18%	16%	16%	17%
Cost/rent	12%	14%	7%	7%
Central location/close to everything/ convenient	9%	12%	8%	11%
Proximity to work	7%	9%	4%	3%
Quality/appearance/maintenance of neighborhood	7%	4%	3%	6%
Accessibility to freeway/major streets	4%	4%	4%	4%
Quality of homes/construction/design	3%	3%	2%	4%
Quality/location of schools/universities	3%	1%	4%	5%
Community atmosphere/feel of area	2%	3%	3%	1%
Landscaping/greenery/trees/yard/patio	2%	3%	3%	2%
Floor plans/structures/square footage	2%	2%	5%	2%
Amenities available	2%	2%	10%	11%
Close to parks/open space	2%	1%	3%	3%
Proximity to stores/shopping	1%	2%	7%	10%
Close to supermarket	1%	3%	6%	4%
Exterior/curb appeal	1%	2%	4%	2%
Good value for the money	1%	2%	1%	2%
Ease, accessibility of parking	1%	2%	2%	6%
Good restaurants nearby	1%	1%	3%	4%

* Unaided mentions.

Source: CDS Market Research

TABLE 19

OTHER LOCATIONAL FACTORS IMPORTANT TO HIGH-END RENTERS

	Factor	% of Respondents Rating: Absolutely Essential (7 rating)	% of Respondents Rating: Important (5-7 rating)	Average (Mean) Rating
1.	Being able to walk to work	17%	39%	3.7
2.	Being able to park car within the building or in a directly connected garage	68%	96%	6.4
3.	Being within walking distance of an elementary school	6%	21%	2.4
4.	Being near a park with lots of green space	30%	78%	5.4
5.	Being near a park with hike and bike trails	19%	68%	4.8
6.	Close proximity to other housing	12%	45%	4.2
7.	Being within walking distance of the Downtown tunnel system	5%	27%	3.1
8.	Being within walking distance of major shopping facilities	14%	51%	4.2
9.	Having trees along the street where you live	36%	72%	5.4
10.	Having restaurants and convenience shopping nearby	44%	91%	6.0
11.	Having a health club on site	27%	65%	4.9
12.	Having public transit options within walking distance	16%	50%	4.2
	Memo: Percent of those rating 12) important preferring light rail	N/A	60%	N/A

Source: CDS Market Research

TABLE 20

OTHER LOCATIONAL FACTORS IMPORTANT TO DT/MT/TMC EMPLOYEES

	Factor	% of Respondents Rating: Absolutely Essential (7 rating)	% of Respondents Rating: Important (5-7 rating)	Average (Mean) Rating
1.	Being able to walk to work	22%	48%	4.3
2.	Being able to park car within the building or in a directly connected garage	71%	96%	6.5
3.	Being within walking distance of an elementary school	8%	26%	2.7
4.	Being near a park with lots of green space	26%	79%	5.5
5.	Being near a park with hike and bike trails	18%	67%	4.9
6.	Close proximity to other housing	11%	49%	4.3
7.	Being within walking distance of the Downtown tunnel system	7%	34%	3.6
8.	Being within walking distance of major shopping facilities	23%	57%	4.7
9.	Having trees along the street where you live	36%	78%	5.6
10.	Having restaurants and convenience shopping nearby	46%	90%	6.0
11.	Having a health club on site	27%	64%	4.8
12.	Having public transit options within walking distance	21%	63%	4.7
	Memo: Percent preferring light rail of those rating 12 important	N/A	65%	N/A

Source: CDS Market Research

H. Neighborhood Preference

Interested high-end renters and DT/MT/TMC employees were asked whether they preferred a Downtown or Midtown residential location. As was the case in both 1993 and 1998, the majority of respondents in both target groups indicated a preference for Midtown over Downtown. 76% of high-end renters and 71% of employees stated such a preference. These percentages are higher than those obtained in the 1998 survey (60% and 69% respectively), indicating a trend in favor of Midtown, particularly among high-end renters.

The principal reasons given by both groups for preferring Midtown over Downtown were:

- Closer to work or business.
- Too much traffic Downtown.
- Don't like Downtown, don't want to live there.
- Fewer crowds.
- Convenient location/central.
- Good impression of area.
- Freeway access.
- Want grass/trees.

For those preferring Downtown over Midtown, the principal reasons were:

- Closer to work or business.
- Convenient location/central.
- More activities of interest/theater/entertainment.
- More urban/like the tall buildings, architecture.
- Safer/less crime/more security.

Later in the survey, interested respondents were asked to identify their first and second choices from a list of eleven specific neighborhood locations, three more than were included in the 1993 and 1998 surveys. Of the eleven neighborhoods listed, eight were in the Downtown area -- now defined as within or near the three major freeways -- and two were in Midtown. The other (Fourth Ward) could be regarded as partly Downtown and partly Midtown.

Table 21 shows the percentages of interested target market respondents naming each neighborhood as their first or second choice, with listed neighborhoods arrayed based on popularity. The survey findings demonstrate that the Museum District is the dominant first choice of both high-end renters and employees, followed in distant second place by the Theater District and, closely behind, the area of Midtown south of the Pierce Elevated, Downtown near Buffalo Bayou, the Fourth Ward, and the Historic District near Old Market Square. In the 1998, the Theater District, Midtown south of the Pierce Elevated and Old Market Square were the top three neighborhoods selected as first choices by the two target groups. However, the Museum District and Fourth Ward were not included as response options in the 1998 survey.

With respect to the second choices of both groups, four neighborhoods were grouped fairly closely, including the Theater District, near Buffalo Bayou, Museum District and Historic District. On balance, though, the Museum District is by far the most popular area for high-end renters and DT/MT/TMC employees interested in living in Downtown or Midtown.

To provide a more in-depth analysis of potential demand, **Tables 22 and 23** show the preferences of interested high-end renters and DT/MT/TMC employees relating to the type of housing product desired by neighborhood of first choice. In examining these results, it becomes obvious that in the course of telephone interviews where questions pertaining to product and neighborhood preferences are widely separated, many respondents are not able to relate the two. Thus, we see respondents preferring townhome product early in the survey indicating later that the Theater District is their first choice of neighborhood, even though with more time they might realize that Theater District property is far too valuable for such product to be feasible. The same can be said for low-rise product in many areas of Downtown and Midtown. On the other hand, there no doubt does exist a real lack of knowledge on the part of many respondents -- particularly by those living in suburban areas of Harris County -- regarding property values and the feasibility of certain types of housing product in Downtown and Midtown. Still, we must remember that respondents are only being asked for their preferences, and are freely giving them, without regard to economic or other factors.

Basically, **Tables 22 and 23** demonstrate the general preference on the parts of both high-end renters and employees for townhomes first, and lofts second, without regard to neighborhood of choice.

TABLE 21

NEIGHBORHOODS PREFERRED BY HIGH-END RENTERS AND DT/MT/TMC EMPLOYEES

Neighborhood/District	First Choice		Second Choice	
	High-End Renters	DT/MT/TMC Employees	High-End Renters	DT/MT/TMC Employees
BASE	163	180	151	169
Museum District, Midtown *	37%	36%	13%	13%
Theater District Near Jones Hall	12	11	15	17
South of the Pierce Elevated, Midtown	8	11	12	7
Near Buffalo Bayou	8	7	18	12
In the 4th Ward south of Allen Parkway *	8	7	4	8
Historic District near Old Market Square	5	8	12	13
Near Minute Maid Park	5	3	8	12
Near the new Convention Center Hotel/ Basketball Arena *	4	5	4	5
Close to Houston House Apartments and St. Joseph's Hospital	4	4	3	2
Near Foley's Department Store	2	2	3	3
Chinatown/east of Downtown	--	--	1	2
Don't know	7	6	7	6
Total	100%	100%	100%	100%

* Not included in 1993 and 1998 surveys.

Source: CDS Market Research

TABLE 22

HOUSING DEMAND PROFILE BY NEIGHBORHOOD BY PRODUCT
HIGH-END RENTERS

First Choice	Overall	Product Type					
Preferred Neighborhood	Share	Townhome	Loft	High-Rise [a]	Mid-Rise [b]	Low-Rise [c]	Totals
Museum District, Midtown *	37%	45%	25%	15%	3%	12%	100%
Theater District	12%	58%	32%	5%	5%	--	100%
South of Pierce Elevated, Midtown	8%	57%	7%	22%	7%	7%	100%
Near Buffalo Bayou	8%	46%	31%	15%	8%	--	100%
Fourth Ward *	8%	46%	23%	--	--	31%	100%
Historic District near Old Market Square	5%	38%	37%	13%	--	12%	100%
Near Minute Maid Park	5%	45%	22%	11%	--	22%	100%
Near Hotel/Arena *	4%	50%	33%	17%	--	--	100%
Close to St. Joseph's Hospital	4%	34%	--	33%	--	33%	100%
Near Foley's	2%	67%	--	--	--	33%	100%
Chinatown	--	--	--	--	--	--	--
Don't know	7%	50%	25%	8%	8%%	9%	100%
Total	100%						

* Not included in 1993 and 1998 surveys.

[a] High-Rise (10+ stories); [b] Mid-Rise (4-8 stories); [c] Low-Rise (2-3 stories).

Source: CDS Market Research

TABLE 23

HOUSING DEMAND PROFILE BY NEIGHBORHOOD BY PRODUCT
DT/MT/TMC EMPLOYEES

First Choice	Overall	Product Type						
Preferred Neighborhood	**Share**	**Townhome**	**Loft**	**High-Rise [a]**	**Mid-Rise [b]**	**Low-Rise [c]**	**Don't Know**	**Totals**
Museum District, Midtown *	36%	55%	23%	11%	1%	7%	3%	100%
Theater District	11%	40%	35%	10%	15%	--	--	100%
South of Pierce Elevated, Midtown	11%	65%	10%	15%	5%	5%	--	100%
Near Buffalo Bayou	7%	33%	25%	17%	17%	8%	--	100%
Fourth Ward *	7%	50%	25%	--	--	25%	--	100%
Historic District near Old Market Square	8%	43%	29%	14%	7%	7%	--	100%
Near Minute Maid Park	3%	40%	60%	--	--	--	--	100%
Near Hotel/Arena *	5%	45%	33%	11%	--	11%	--	100%
Close to St. Joseph's Hospital	4%	38%	25%	12%	--	25%	--	100%
Near Foley's	2%	67%	--	--	--	33%	--	100%
Chinatown	--	--	--	--	--	--	--	--
Don't know	6%	37%	18%	--	--	27%	18%	100%
Total	100%							

* Not included in 1993 and 1998 surveys.

[a] High-Rise (10+ stories); [b] Mid-Rise (4-8 stories); [c] Low-Rise (2-3 stories).

Source: CDS Market Research

APPENDIX A

SURVEY QUESTIONNAIRE

DOWNTOWN / MIDTOWN HOUSING SURVEY

Hello. I'm ____________________ with CDS Market Research. We're conducting a survey to find out people's opinions of services and facilities in the Downtown and Midtown areas of Houston. We can assure you that we are not selling anything. This is only a survey and your answers will remain strictly confidential.

Are you an adult head of household 18 years of age or older?

Yes......................**(CONTINUE)** 1
No 2

(IF NO, ASK FOR A HEAD OF HOUSEHOLD OR ARRANGE TO CALL BACK IF POSSIBLE)

First of all, when we say "Downtown", we mean the area in the center of Houston inside or near the I-10, U.S. 59 and I-45 freeways. When we say "Midtown", we are referring to the area between Downtown and the Texas Medical Center. Are you generally familiar with these two areas of Houston?

Yes......................**(CONTINUE)** 1
No ....**(TERMINATE)** 2

1a. Do you or another head of household work Downtown, Midtown, or in the Texas Medical Center?

Yes... 1
No .... 2 **(SKIP TO Q2a)**

1b. **(IF YES)** Where? Is it …

Downtown?... 1
Midtown? 2
Or the Texas Medical Center?.................................. 3

2a. Is your primary residence a ...

Single family detached home? 1
Duplex, triplex or quadruplex?.................................. 2
Townhome? 3
Condominium?... 4
Apartment?.. 5
Loft?.. 6
Or something else? **(SPECIFY)** ______________ .. 7

2b. Do you own or rent this residence?

Own .... 1 **(SKIP TO Q3)**
Rent 2

2c. **(IF RENT)** Does your residence rent for $1,000 or more, or less than $1,000 per month?

$1,000 or more 1
Less than $1,000.. 2
Refused ....**(DO NOT READ)** 8

3. How long have you lived in the Houston area?

Three years or less 1
Four to six years... 2
Seven to nine years 3
Ten to nineteen years 4
Twenty or more years 5

4a. On average, how often do you visit Downtown or Midtown Houston for reasons other than work-related activities? Would you say …

More than once a week? 1
Two to four times per month?.................................... 2
Once a month?... 3
Or less than once a month? .... 4 **(SKIP TO Q5)**

4b. Besides work-related visits, which of the following activities do you <u>regularly</u> pursue in Downtown or Midtown Houston? How about … **(CIRCLE ALL THAT ARE MENTIONED. ROTATE LIST)**

Shopping? 1
The theater or other arts? 2
Festivals and parades?.. 3
Dining out? 4
Physical recreation or parks? 5
County, city and federal government services?........ 6
Personal finance or banking? 7
Attending school?... 8
Medical visits?.. 9
Nightclubs?... 10
Sporting events? 11
None .... **(DO NOT READ)** 12

5. Have you ever lived in a Downtown area of any city?

Yes... 1
No 2

6a. If the right housing product were available at the right price, how likely would you be to live in Downtown or Midtown Houston? Would you say …

Very likely? 1
Somewhat likely? 2
Unlikely?... 3
Or absolutely would not? 4

6b. What is the single most important reason that you feel this way? **(RECORD ONLY ONE RESPONSE)**

____

(IF 3 OR 4 IN Q6a, SKIP TO Q17)

6c. How soon would you consider moving Downtown or Midtown if the right housing product was available at the right price? **(READ)**

Within 1 year? 1
In 1 to 2 years? 2
In 2 to 3 years? 3
Or more than 3 years from now? 4

7a. If you had to choose, would you prefer a Downtown Houston or a Midtown Houston location?

Downtown 1
Midtown 2
Don't know. No opinion .... **(DO NOT READ)** 9

7b. What is the single most important reason that you feel this way? **(RECORD ONLY ONE RESPONSE)**

____

8. Now I'm going to read a list of various types of housing which could be offered in Downtown or Midtown Houston.

a) On a scale of one to seven, with *one* meaning you would definitely *not* consider it, and *seven* meaning that you definitely *would* consider it, how likely do you think you would be to consider living in … **(ROTATE STATEMENTS)**

b) And which one would be your first choice?

	a								**b**
	Level of Appeal							**Don't Know**	**1st Choice**
A unit in a low-rise building with two or three stories?	1	2	3	4	5	6	7	9	1
A unit in a mid-rise building with four to eight floors?	1	2	3	4	5	6	7	9	2
A unit in a high-rise building with ten or more floors?	1	2	3	4	5	6	7	9	3
A townhome?	1	2	3	4	5	6	7	9	4
A loft?	1	2	3	4	5	6	7	9	5
Don't know. None **(DO NOT READ)**									9

(IF RESPONDENT ASKS FOR A DEFINITION OF "LOFT", SAY:
A loft is a home which has a large, open floor design. It is typically located in a historic building which was formerly used for offices, light manufacturing or warehousing.**)**

9. Would you prefer to live in a home which is newly constructed or one which is located in a nicely renovated historic structure?

New 1
Historic 2
Don't know. No preference .... **(DO NOT READ)** 9

10. Initially, would you prefer to own or rent your home in Downtown or Midtown?

Own 1
Rent 2

11. About how much would you be willing to pay each month to live in Downtown or Midtown? Would you say … **(READ)**

Less than $600? 1
$600-$949? 2
$950-$1,299? 3
$1,300-$1,649? 4
$1,650-$1,999? 5
$2,000 or more? 6
Don't know.......... **(DO NOT READ)** 9

12a. How many bedrooms and bathrooms would you want to have? **(DO NOT READ)**

One bedroom, one bath 1
Two bedrooms, one bath 2
Two bedrooms, two baths 3
Three bedrooms, two baths 4
Four or more bedrooms, three or more baths 5
Other **(SPECIFY)** ______________________ 6
Don't know 9

12b. How many parking spaces would you have to have? **(DO NOT READ)**

One 1
Two 2
Three 3
Four or more 4
Don't know 9

13a. Now imagine that you have actually decided to move to Downtown or Midtown Houston and you are shopping for a place to live that perfectly suits your <u>needs and lifestyle</u>. What would be the <u>single most important reason</u> for selecting one location within Downtown or Midtown over another? **(RECORD ONLY ONE RESPONSE)**

____

13b. What else would be important? **(PROBE FOR UP TO TWO RESPONSES)**. What else?

____

____

14. Thinking more about your <u>lifestyle</u>, what do you like to do on weekends? What are your recreational and leisure pursuits? **(RECORD UP TO THREE RESPONSES)**

____

____

____

15a. Now I'm going to read a list of factors which some people have told us they consider important in selecting one project or location over another in Downtown or Midtown Houston. On a scale of one to seven, with *one* meaning not at all important and *seven* meaning absolutely essential, please tell me how important each of these factors would be to you. **(READ AND ROTATE EXCEPT FOR LAST FACTOR)**

		Not at all Important			→			**Absolutely Essential**	**DK**
1)	Being able to walk to work.	1	2	3	4	5	6	7	9
2)	Being able to park your car within the building or in a garage directly connected to the building.	1	2	3	4	5	6	7	9
3)	Being within walking distance of an elementary school.	1	2	3	4	5	6	7	9
4)	Being near a park with lots of green space.	1	2	3	4	5	6	7	9
5)	Being near a park with hike and bike trails.	1	2	3	4	5	6	7	9
6)	Being in close proximity to other housing.	1	2	3	4	5	6	7	9
7)	Being within walking distance of the Downtown tunnel system.	1	2	3	4	5	6	7	9
8)	Being within walking distance of major shopping facilities.	1	2	3	4	5	6	7	9
9)	Having trees along the street where you live.	1	2	3	4	5	6	7	9
10)	Having restaurants and convenience shopping located nearby.	1	2	3	4	5	6	7	9
11)	Having a health club on site.	1	2	3	4	5	6	7	9
12)	Having public transit options within walking distance.	1	2	3	4	5	6	7	9

(IF 1, 2, 3 OR 4 IN Q15a-12, SKIP TO Q16)

15b. **(IF 5, 6 OR 7 IN Q15a-12)** Are you more likely to prefer … **(READ)**

Light rail? 1
Bus? 2
Or rubber-wheeled trolley? 3
Don't know................. **(DO NOT READ)** 9

16. If you had the choice of several specific locations in Downtown or Midtown, which one of these would be …

a) … your first choice? **(READ AND ROTATE)**

b) … and which one would be your second choice?

	a 1st Choice	b 2nd Choice
The Historic District near Old Market Square	1	1
The Theater District near Jones Hall	2	2
Near Buffalo Bayou	3	3
Close to the Houston House Apartments and St. Joseph's Hospital	4	4
Chinatown/east side of Downtown	5	5
Near Foley's Department Store	6	6
Near the new Convention Center Hotel and Basketball Arena	7	7
Near Minute Maid Park (formerly Ballpark at Union Station)	8	8
In the Fourth Ward south of Allen Parkway	9	9
South of the Pierce Elevated in Midtown	10	10
In the Museum District	11	11
Don't know. No opinion **(DO NOT READ)**	99	99

Finally, just a few background questions for classification purposes. Again, your responses will remain strictly confidential.

17. Including yourself, how many people live in this household?

One	1
Two	2
Three	3
Four	4
Five or more	5
Refused **(DO NOT READ)**	8

18. How many children under 18 years of age live in your household?

None	1
One	2
Two	3
Three	4
Four or more	5
Refused **(DO NOT READ)**	8

19. What was the last year of formal education you completed? Was it … **(READ)**

Less than high school graduate?	1
High school graduate?	2
Some college, or business or tech school?	3
Business or tech school graduate?	4
Four-year college degree?	5
Post-graduate degree?	6
Refused **(DO NOT READ)**	8

20. What is your current employment status? Are you … **(READ)**

Employed?	1	
Unemployed?	2	**(SKIP TO Q22)**
On the armed forces?	3	**(SKIP TO Q22)**
Not in the labor force or retired?	4	**(SKIP TO Q22)**
Refused **(DO NOT READ)**	8	**(SKIP TO Q22)**

21. **(IF EMPLOYED IN Q20)** What industry are you employed in? Is it … **(READ)**

Energy?	1
Manufacturing?	2
Medical services?	3
Legal services?	4
Government (including school districts)?	5
Wholesale or retail trade?	6
Transportation?	7
Business services?	8
Or some other industry? What? ____________	9
Refused **(DO NOT READ)**	88

22. What is your age? Is it … **(READ)**

Under 25?	1
25 to 34?	2
35 to 44?	3
45 to 54?	4
55 to 64?	5
65 to 74?	6
75 or older?	7
Refused **(DO NOT READ)**	8

23a. What is your home zip code? __7__ __7__ _____ _____ _____

23b. What is your work zip code? __7__ __7__ _____ _____ _____

Don't know **(DO NOT READ)** ... 9

24. Which one of the following ethnic classifications best describes you?

White, but not Hispanic 1
Hispanic or Latino 2
African-American 3
Asian 4
Native American 5
Other **(SPECIFY)** ______________________ 6
Refused .... **(DO NOT READ)** 8

25. Finally, is your annual household income, the combined income of yourself and other wage earners living in your household … **(READ)**

Less than $25,000? 1
At least $25,000 but less than $45,000? 2
At least $45,000 but less than $65,000? 3
At least $65,000 but less than $85,000? 4
At least $85,000 but less than $110,000? 5
At least $110,000 but less than $160,000? 6
$160,000 or more? 7
Refused .... **(DO NOT READ)** 8

26. Gender **(RECORD BY OBSERVATION)**

Male 1
Female 2

That's all the questions I have. I appreciate your cooperation.

Interviewer: ____________________________________

A P P E N D I X   B

Comparison of Original and Revised Estimates of Total Downtown/Midtown Housing Demand - 1998

1998 HOUSING DEMAND

Original Estimate of 1998 Total Demand. Due to the inherent problems often encountered in using published projections of population and households for certain areas of Harris County in the latter years of any census decade due to overly conservative estimates, Claritas projections of study area households were not used to calculate total demand. Instead, households with incomes of $30,000 or more were calculated based on estimated residential telephone accounts as follows:

Type of Account	Estimated 1998 Telephone Accounts	Estimated % of Total
Listed	719,500	68.6%
Unlisted	329,300	31.4
Total	1,048,800	100.0%

Total estimated telephone accounts were then multiplied by the 13% of 1998 survey respondents indicating that they were "very likely" to live in Downtown or Midtown Houston to arrive at estimated total housing demand of 137,400 units.

Revised Estimate of 1998 Total Demand. Using 1990 and 2000 census data, the latter of course not available in 1998, a much more accurate estimate of 1998 Downtown and Midtown housing demand can now be made that is based on the same methodology used to calculate the 2003 level of demand (80,000 units) projected in this report.

Source/Year	Study Area Households (103 Zip Codes)	Average Growth Rate	% of County Households $30,000+	Est. Study Area Households $30,000+
Census:				
1990	854,100	--	52.0%	
2000	971,100	1.3%	65.8%	
Estimated: 1998	947,100 [a]		63.0% [b]	627,900
Survey:				
% "Very Likely" to live Downtown/Midtown				13%
Est. 1998 Demand (Units)				**81,600**

[a] Based on average 1990-2000 growth grate of 1.3% for eight years.
[b] Based on straight-line interpolation between percentages for 1990 (52.0%) and 2000 (65.8%).

APPENDIX C

Supplemental Tables

The following two tables were created after the completion of the report in response to inquiries made by contributing sponsors.

TABLE A

RESPONDENTS' REASONS FOR INTEREST/LACK OF INTEREST IN LIVING IN DOWNTOWN OR MIDTOWN (2003)

	Likelihood of Living in DT/MT			
Single Most Important Reason	**Very Likely**	**Somewhat Likely**	**Unlikely**	**Absolutely Not**
Positive:				
Central/close to activities	40%	25%		
Closer to work	9	13		
Near restaurants/good restaurants/clubs	9	2		
Atmosphere/excitement	7	2		
Theater/arts/entertainment	5	3		
Availability of recreational activities	5	2		
Less traffic/travel time	3	12		
Good impression of DT/MT	3	7		
Near colleges/universities	2	2		
Want to try loft living	2	2		
Enjoy walking	2	--		
Less crime/safer/well-lit area	2	2		
Nice views/pretty architecture	--	2		
Nice neighborhoods	--	2		
Trees/landscaping	--	2		
Near shopping	--	2		
Eliminates difficulty/cost of parking	--	2		
Near sports facilities	--	2		
Negative:				
Happy at present location/homeowner			12%	10%
Too much traffic			11	15
Don't like crowds/noise			10	16
Prefer suburbs/country setting			10	5
Inconvenient to work			6	5
Prefer space/yards/nature			6	6

TABLE A (Continued)

Single Most Important Reason	Likelihood of Living in DT/MT			
	Very Likely	Somewhat Likely	Unlikely	Absolutely Not
Negative: (Continued)				
Retired/handicapped/ill/elderly			6%	7%
Dislike Downtown, dirty, unattractive, concrete jungle			6	10
Too expensive			4	1
Better schools in suburbs			3	1
Poor street conditions/one-way streets/ street construction			3	2
Not good for children/family			3	2
Not my lifestyle			3	4
Prefer to separate living from work			3	--
Have pets			2	1
Crime/unsafe area			2	8
Low income/bad neighborhood nearby			1	1
Homeless/transients/alcoholics/drugs			--	3
Corruption in City Hall			--	1
Too far from shopping/grocery stores			--	1
Lack of single-family dwellings			--	1
Want large living space			--	1
Not Sure/Don't Know	11%	16%	9%	--

BASE: Random sample of 400 study area households with annual incomes of $30,000 or more.

Source: CDS Market Research

TABLE B

BEDROOM/BATHROOM PREFERENCES BY ACCEPTABLE MONTHLY LEASE OR MORTGAGE PAYMENT HIGH-END RENTERS * (2003)

Configuration	Acceptable Monthly Lease or Mortgage Payment							
	Less Than $600	$600- $949	$950- $1,299	$1,300- $1,649	$1,650- $1,999	$2,000 or More	Don't Know	Total
One bedroom/one bath	100%	35%	2%	--	--	--	--	6%
Two bedrooms/one bath	--	5	11	--	--	11	--	7
Two bedrooms/two baths	--	50	62	55	14	11	75	54
Three bedrooms/two baths	--	10	20	40	72	56	25	28
Four or more bedrooms/ three or more baths	--	--	3	3	14	11	--	3
Other	--	--	2	2	--	11	--	2
Totals	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
BASE	1	20	84	38	7	9	4	163

* Households with annual incomes of $30,000 or more and paying $1,000 or more/month rent.

Source: CDS Market Research

TABLE B (Continued)

BEDROOM/BATHROOM PREFERENCES BY ACCEPTABLE MONTHLY LEASE OR MORTGAGE PAYMENT DOWNTOWN/MIDTOWN/TEXAS MEDICAL CENTER EMPLOYEES *
(2003)

Configuration	Acceptable Monthly Lease or Mortgage Payment							
	Less Than $600	$600-$949	$950-$1,299	$1,300-$1,649	$1,650-$1,999	$2,000 or More	Don't Know	Total
One bedroom/one bath	--	19%	7%	--	--	--	--	7%
Two bedrooms/one bath	--	14	8	--	--	8	--	7
Two bedrooms/two baths	--	50	58	51	33	15	57	51
Three bedrooms/two baths	--	11	22	40	67	46	29	27
Four or more bedrooms/ three or more baths	--	3	3	6	--	16	14	5
Other	--	3	2	3	--	15	--	3
Totals	**--**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
BASE	--	36	83	35	6	13	7	180

* Employee households with annual incomes of $30,000.

Source: CDS Market Research