GREATER EAST END COMPETITIVE EVALUATION

REPORT 1 OF 2
GREATER EAST END MANAGEMENT DISTRICT
DECISION MAKING METHODOLOGY & ECONOMIC DEVELOPMENT STRATEGY

SEPTEMBER 23, 2013

GREATER EAST END DISTRICT
THE PEOPLE BEHIND THE PROGRESS

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About this Project

The Economic Development Strategic Plan for the Greater East End Management District involves two phases:

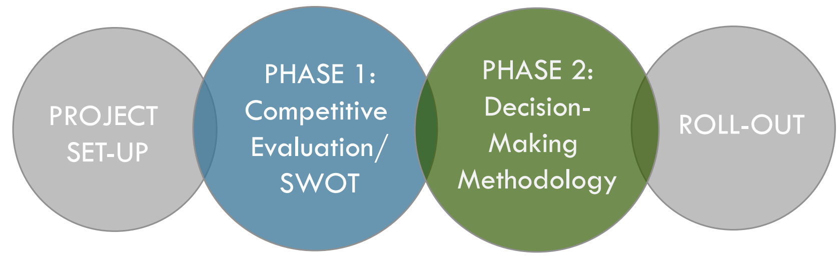
PHASE 1: Competitive Evaluation

In this phase of the project, the consulting team begins with a thorough evaluation of the East End, conducting stakeholder input sessions, examining past reports, conducting a District tour, and preparing the first report, *Competitive Evaluation*. This report includes an executive summary assessing overall competitiveness in a SWOT format; a detailed economic and demographic analysis of the East End and an inventory of real estate assets. See the following page for a more detailed description of this report.

PHASE 2: Decision Making Methodology

During Phase 2, the consulting team will identify target industries for future economic development activities in the East End. This phase will include a study of local, regional, and national trends and how they relate to the East End and regional economic assets. The consulting team will provide a clear list of industry audiences targeted for growth, including detailed profiles of these industry sectors, highlighting location requirements and local assets that will support their growth.

GREATER EAST END ECONOMIC DEVELOPMENT PLANNING PROCESS



- Review existing reports, data, and policies.
- Examine past studies' vision and outcomes

- GEEMD staff, Steering Committee, and Stakeholder Input
- Real Estate Inventory and Map
- SWOT

- Identify Vision & Priorities
- Strategies & Tactics
- Implementation Action Items
- Establish Metrics for measuring progress

- Present Findings, Strategy, and Recommended Actions

The process will culminate in a series of recommendations that address elements critical to the East End's future economic development initiatives, including expanding and attracting appropriate target industries; engaging in internal and external marketing that demonstrates the East End's value to target industries; and a tactical implementation plan that contains an implementation schedule, metrics, budget, and recommendations for coordinating with local and regional stakeholders.

This report, *Competitive Evaluation*, brings together data, interviews, and assessments to evaluate the East End's overall economic competitiveness, setting the stage for identification of target industries based on regional strengths and aspirations in Phase 2:

- **Section One: Competitive Summary.** The first section summarizes the findings of this assessment in a SWOT-style inventory of strengths, weaknesses and overall competitiveness. The summary specifically focuses on the aspects of the East End that are most important to economic development objectives.

- **Section Two: Economic and Demographic Assessment.** The second section of this report examines economic and demographic trends in the East End. The consulting team focuses on long-term performance trends (e.g. how well the region is doing compared to previous years) and comparisons to the City of Houston (e.g. whether the District is advancing or falling behind the broader region). Examination of the East End's place within Houston helps distinguish unique assets within the city and position relative to surrounding communities.

- **Section Three: Real Estate Asset Inventory.** The third section of this report examines the land use composition of the East End and provides a detailed inventory of buildings located within strategic nodes and corridors within the district.

Introduction – Historical Context

During the past several years, there have been numerous studies on the East End. Virtually all of these examinations have been primarily limited to the physical environment of the community.

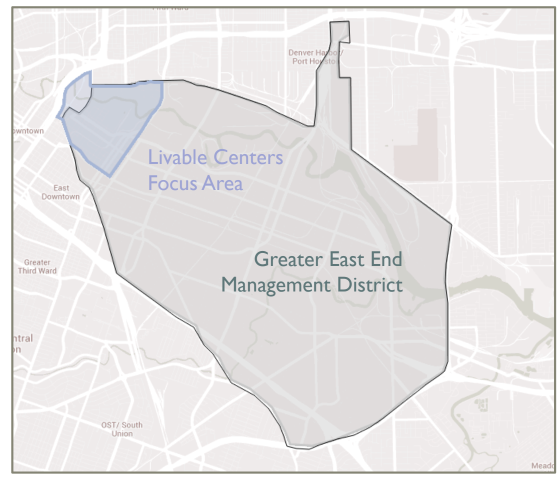
In many regards, considerations of planning, land use, and transportation issues are paramount in any discussion of the East End. An enviable combination of physical location and property characteristics make the East End District an attractive area of Houston - nowhere else can one find such an abundance of vacant and underutilized properties immediately adjacent to downtown Houston. As a result, **no area within the city of Houston is as ripe for redevelopment.**

Given the leading role physical redevelopment will play in the East End's future growth, the Greater East End Management District has prioritized related efforts. Furthermore, the actions necessary to improve the community's physical environment align with the Greater East End Management District's mission to improve infrastructure and amenities.

At the same time, the revitalization of the East End cannot be sustained through capital improvements alone. What is needed now is an economic development strategy that builds upon these physical improvements.

Past plans examined for this Competitive Evaluation Report include:

URBAN DEVELOPMENT POTENTIAL STUDY AREA



The ***East End Livable Centers Plan***, conducted in 2009, sought to increase "accessibility by a variety of transportation modes, including walking, bicycling, and transit." As characterized by the Livable Centers Plan, the East End suffers from a "discontinuous landscape of land uses lacking identity, connectivity, and structure, with poor pedestrian infrastructure, isolated landmarks, disruptive truck traffic, and inadequate access to transit." The East End Livable Centers Plan called for improved pedestrian/transit access, as well as more infill and mixed-use development throughout the study area.

The ***East End Livable Centers Master Plan***, published in 2011, outlined a potential redevelopment pattern of 600 acres of industrial land adjacent to Buffalo Bayou. The study envisioned a redevelopment of Navigation Street into an "active, green, pedestrian-oriented, and transit friendly boulevard" that would help transform the rest of the neighborhood into a mixed-use destination. Many of the needed street improvements identified by the study are currently being constructed. Ultimately, the Livable Centers Master Plan projected the creation of 7,200 new residential units, and 6.7 million square feet of commercial development.

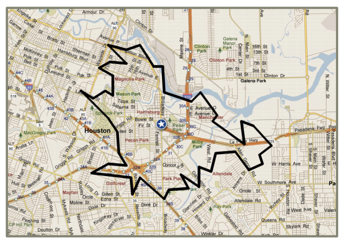
The ***East End Urban Development Potential*** study, produced in 2012, outlined efforts "to stimulate real estate development, job creation, new businesses, retail shops and cultural venues." The analysis stressed the need for a high-impact "catalytic project" to demonstrate the area's potential value to outside investors and specifically encouraged "expanded real estate and business investment along Harrisburg Blvd, Navigation Blvd and in the Commerce / Canal Urban Village Center." The East End Urban Development Potential study also called for marketing the area as "a transit-served, walkable, urban village for new for-sale and multi-family housing, with easy access to 150,000 jobs in Houston's Central Business District."

BUFFALO BAYOU PARTNERSHIP PLAN

The ***East End Mobility Study***, prepared in 2012, examined four historic 'Super Neighborhoods'—Greater Fifth Ward, Second Ward/East End, Downtown (EaDo), and Greater Eastwood (the combined boundaries of these neighborhoods are similar to the study areas of previous studies). The Mobility Study compared two potential development forecasts, a Base+ scenario based on current trends and a Master Plan/TOD scenario incorporating comprehensive transportation planning. By 2035, the Base+ scenario projects a population of 24,500 while the Master Plan TOD scenario forecasts a population of 31,500.

The **Retail Gap Analysis**, prepared in 2012, identified retail leakage in virtually all retail sectors throughout the East End District. The analysis examined three separate submarket trade areas—Broadway, Harrisburg, and Navigation. Although there is significant overlap geographic among each submarket, all three trade areas lose hundreds of millions of dollars each year as residents and workers alike leave the East End to purchase goods and services elsewhere. In many sectors, such as apparel, department stores, and grocery stores, there is a near complete absence of national retailers.

BROADWAY SUBMARKET
RETAIL TRADE AREA



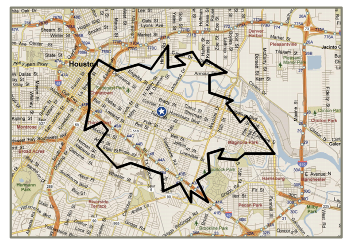
Potential Sales:

$246.5 million

Estimated Sales:

$55.3 million

HARRISBURG SUBMARKET
RETAIL TRADE AREA



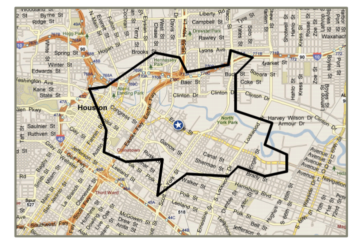
Potential Sales:

$322.0 million

Estimated Sales:

$46.8 million

NAVIGATION SUBMARKET
RETAIL TRADE AREA



Potential Sales:

$191.9 million

Estimated Sales:

$29.0 million

Competitive Evaluation Executive Summary

The East End is a remarkable community and yet full of contradictions. Although it is immediately adjacent to downtown Houston, the East End is home to large tracts of undeveloped land and an abundance of vacant warehouses; the district has approximately 875 acres of vacant developable land.

Despite the abundance of underutilized properties, the East End is home to significant levels of commerce. The number of jobs in the East End is higher today than before the recession (a feat that has eluded many other communities throughout the US). Still, relatively few East End residents are actually employed within the District. Approximately 95% of employed residents work outside the East End. Additionally, since 2007, the number of residents living and working within the East End has declined 20%. While some of this decline may be attributable to a shrinking population base within the East End, it is also fueled by lower levels of educational attainment and workforce participation rates among remaining residents.

Demographic transitions throughout the East End only add to the District's complexity. During the past decade, a growing number of families have moved out of the East End. At the same time, more households headed by single individuals have moved into the District. As a result, while the East End's population has declined 12% since 2000, the total number of households in the district has actually increased. In the years ahead, one of the primary challenges of the East End will be to leverage current positive momentum into greater levels of investment and development, thereby increasing economic opportunities for both existing and future residents.

Demographic changes are also beginning to threaten the compatibility of land uses within the East End. As the City of Houston has no zoning, market forces largely drive development patterns within the East End. Traditionally, the East End has been comprised of an assorted mix of residential, industrial, and commercial uses. Real estate speculation, driven by potential residential development, led to rising land prices that limit the growth of future industrial activity. There is also growing competition for infrastructure investment by residential and industrial interest. The age of the East End, compounded by the City of Houston's historic indifference to the district, means that much of the infrastructure is out of date. Although the East End and owners interested in redevelopment have benefited from many recent infrastructure investments, especially streetscape improvements, much work remains. In particular, industrial users are handicapped by poor road conditions and insufficient drainage systems.

If the current changes occurring in the East End are to benefit all stakeholders, investment that ensures the viability of industrial uses (which are also the rate payers for the Greater East End Management District) must be carefully balanced with actions that promote sustained growth of residential and commercial uses throughout the area. In the years ahead, the East End will undoubtedly become a more mixed destination (especially in the western portions of the district). Despite these long-term changes, the East End will also remain home to industrial activity related to the Port of Houston along the district's eastern portions. Supporting infrastructure investment remains key to both the current and future residents and commercial/industrial users of the East End.

Strengths: The East End's strategic location remains one of its core strengths. Few neighborhoods in the US enjoy the East End's proximity to the urban core of such an economically vibrant metropolitan area, a fact that is acknowledged by stakeholders within the community. In addition to downtown Houston, the East End benefits from the presence of the Port of Houston (one of the country's busiest), Houston Community College's Southeast Campus, and the adjacent University of Houston campus. The East End also possesses some significant infrastructure and land use assets, including large tracts of undeveloped land well-positioned for future redevelopment, proximity to several freeways, and Buffalo Bayou. One of the district's most unique assets is its authentic cultural vibrancy, historic neighborhoods and close-knit sense of community within each.

Weaknesses: With nearly as many employed residents as jobs, the East End is rather unique in its balance of residents and workers, but with very little overlap between these two populations. For many residents, educational attainment and mismatched skill sets present an obstacle to obtaining employment close to home in the East End. While the East End benefits from strong programs at the University of Houston and Houston Community College, the quality of primary education remains mixed. K-12 programs such as the MSI Magnet Program are a tremendous start, but even more should be done to continue to improve schools in the East End.

Despite numerous green spaces, recent streetscape improvements, and the current construction of a light rail line within the community, a lack of consumer amenities remains a significant quality of place weakness. As demonstrated by a previously commissioned retail leakage analysis, the East End possesses far more purchasing power than is supported by current retail offerings. The lack of retail outlets (especially a grocery store and personal services) not only diminishes the East End's quality of place but also ensures that the daytime working population spends its money outside of the East End.

Finally, decaying and lacking infrastructure throughout the East End is a weakness that affects nearly all stakeholders in the area. The East End is one of the oldest areas of Houston and many parcels are served by either outdated or non-existent infrastructure, including modern water, wastewater, and drainage system. The lack of sufficient infrastructure within the East End makes the region less attractive to developers and threatens the retention of industrial activities within the District.

Opportunities: The East End's most immediate opportunities are related to potential redevelopment projects. Despite the many advantages of the East End, real estate investors have largely proven too risk averse to assume the first-mover position. A successful catalytic redevelopment project, however, would forcefully demonstrate the East End's commercial potential. New investments in land and transportation assets, including Buffalo Bayou and a light rail system, will also provide the East End with an opportunity to improve its quality of place by increasing access to parks while also improving the District's connectivity to the rest of the city. The East End may also benefit from opportunities associated with the expansion of the Panama Canal, adjacent sports venues, and the overall health of Greater Houston economic clusters (especially healthcare).

Threats: The East End's brand is not as strong as other neighboring districts in Houston. An unclear or ill-communicated identity could be a hurdle to encouraging investment and redevelopment within the district. Current residents and business owners believe that many city of Houston residents are either unaware of the East End or hold a dim view of the neighborhood. Specifically, outsiders often believe the East End is more prone to criminal activity than reality warrants. Similarly negative perceptions of uniformly poor schools within the East End serves as a another obstacle in attracting additional residents to the area. The inability of smaller entrepreneurs to access support services and capital to expand their operations is another widely viewed obstacle to greater economic prosperity. Finally, indifference or misaligned priorities from the City of Houston is viewed as deterrent to redevelopment. Specifically, many residents believe the City of Houston's transportation guidelines favor automobile traffic at the expense of pedestrian and mass transit options.

SECTION ONE:

Competitive Summary

The first section summarizes the findings of this assessment in a SWOT-style inventory of strengths and weaknesses and overall competitiveness. The summary specifically focuses on the aspects of the East End that are most important to economic development objectives.

Strengths, Challenges, Opportunities, and Threats

A SWOT analysis provides a quick snapshot of a community's competitive position. The SWOT assessment examines the East End's overall competitiveness in five distinct areas critical to the neighborhood's success in attracting investment and residents:

- **Economic Development Marketing:** Is the East End effectively communicating its story to outside residents and companies?
- **Entrepreneurship:** Is the East End a place that supports entrepreneurship and innovation?
- **Education & Workforce:** Does the East End provide companies with a sustained pipeline of talent? Does the neighborhood provide residents with opportunities for further educational attainment?
- **Infrastructure & Land Use:** Does the East End provide the utilities, telecommunications, real estate, and transportation assets necessary to support business operations? Does the East End provide an appropriate choice in existing land uses to accommodate current and future users?
- **Quality of Place:** Does the East End provide residents and workers with a safe environment with sufficient amenities?

The following pages summarize the East End's competitive advantages and challenges within each of these topics. The findings represent the culmination of quantitative research, public input, and the consulting team's expertise. The following sections of this report include a more detailed account of the background research supporting this SWOT. This SWOT will ultimately serve as the foundation for the second report, which will provide the East End with an economic development vision and aligned implementation plan.

Marketing

STRENGTHS

- As one of the oldest parts of Houston, the East End has a rich heritage, historic neighborhoods and well-loved restaurants that have brand recognition.
- The existence of the Greater East End Management District and the East End Chamber of Commerce provide the area with a marketing advocate.
- Current investments by the METRO Transit Authority have heightened awareness of the community.
- The increased marketing presence of the EADO neighborhood increases attention to the entire eastern portion of the urban core.

WEAKNESSES

- Many residents, especially those without internet, are unaware of the community events, news and other opportunities.
- Lack of a single platform to collectively market the East End.
- There remains a general lack of awareness of the East End among outsiders.
- No young professional group within the East End.

OPPORTUNITIES

- Increased interest from developers provides an opportunity to market the entire East End.
- The emergence of a critical mass of existing amenities such as parks and restaurants can support a more robust marketing message.
- Proximity to downtown creates an opportunity to market the East End’s accessibility to the urban core.
- Proximity of sports stadiums to the East End provides an opportunity for greater exposure to outsiders.

THREATS

- Outside perceptions that the East End suffers from high rates of crime.
- Outside perceptions of poor air quality in the East End.
- Developers wary of investing in the East End due to the absence of an established brand identity.
- Although the East End has several quality primary schools, there are many other facilities that require improvement.

Entrepreneurship

STRENGTHS

- Proximity to downtown, HCC and its new entrepreneurship center, University of Houston, and the Port of Houston create numerous opportunities for aspiring and existing entrepreneurs.
- Land and buildings throughout the East End remains relatively affordable.
- The East End already possesses a culture of entrepreneurship and loyalty to local businesses.

WEAKNESSES

- The East End's poor brand among some outsiders dampens investment enthusiasm among entrepreneurs.
- Difficult ingress and egress into the East End acts as a barrier to greater levels of visitation by outsiders.
- Low educational attainment levels means that it is difficult to hire East End residents for certain skillsets.

OPPORTUNITIES

- East End has a healthy base of existing local businesses that could potentially expand.
- Demand for port related services continue to increase.
- Expansion of Panama Canal could potentially increase port related commercial and industrial activity even further throughout the East End.
- Significant unmet retail and personal service demand throughout the East End presents significant opportunity for first-movers.
- Completion of light rail line should create additional demand for goods and services with increased access to the East End.

THREATS

- Low awareness of the East End's many amenities and local businesses.
- Current insufficient access to capital and nearby small business support limits the ability of individuals to pursue entrepreneurial opportunities.
- Perceived issues of safety lessen greater visitation to the East End by outsiders and prospective business startups.

Education & Workforce

STRENGTHS

- The East End is adjacent to the University of Houston and is home to both of Houston Community College – Southeast's campuses.
- Houston Community College has grown into a formidable facilitator of improving the educational attainment of residents. Strong programs include logistics, corrosion technology, and pre-engineering and lead into jobs that are immediately available."
- The East End's local labor force features competitive wages.
- The existence of a permanent asset such as the Port of Houston ensures that industrial and commercial activity will remain within the East End.

WEAKNESSES

- Though there are a handful of good primary and secondary school programs, overall K-12 schools need improvement.
- Low levels of educational attainment among existing residents.
- Significant portion of non-English speaking population within the East End.
- Shortage of parental involvement and/or support for children in the local educational system.
- Shortage of career exposure, internship and apprenticeship programs at area employers for East End K-12, HCC Southeast, and UH students.

OPPORTUNITIES

- The East End benefits from a strong existing employment base that continues to grow.
- Increased apprenticeship, internship and career exposure programs at local employers could benefit firms and residents alike.
- Further development of retail services and recruitment of professional and creative firms into the East End could expand the breadth and depth of employment opportunities.
- Existing collaboration between University of Houston, HCC Southeast, and other schools could be improved even further.
- Expanding higher ed and training programs in the East End could address local and overall Greater Houston educational needs.

THREATS

- Outside perceptions of HISD are negative and there is a general lack of awareness of the good programs that have emerged in the East End.
- Lack of growth of industrial users within the East End could limit the ability of existing residents to pursue employment opportunities within the District.
- Future employment growth within the East End may occur in areas such as professional services or highly trained technical occupations for which the current workforce is not prepared.

Infrastructure & Land Use

STRENGTHS

- The East End features good proximity to freeways.
- The METRO Transit Authority Current is currently constructing a new light rail line through the East End.
- The East End enjoys close proximity to employment centers and Houston's major sports arenas (baseball, basketball and soccer).
- The East End is adjacent to Buffalo Bayou and opportunities to expand waterfront trails and destinations.
- The East End is investing in terrific hike/bike trails that connect the district to light rail other trails, and Buffalo Bayou.
- The creation of the Harrisburg TIRZ.

WEAKNESS

- As one of the oldest areas of Houston, much of the East End's infrastructure (roads, water and drainage) is aged, causing significant problems for area employers and residents alike.
- The many railroad crossings in the East End create safety concerns for pedestrians and vehicular traffic.
- Ingress and egress to some freeways (I-10 West and highway 59) from the East End is limited.
- Some sites in the East End suffer from brownfields and environmental issues that need remediation.
- Lack of sidewalk and sewer systems in many parts of the district.
- As the Harrisburg TIRZ is less than two years old, it does not currently have incremental funding available to assist with infrastructure issues.

OPPORTUNITIES

- The East End has a multitude of large parcels of vacant land suitable for development
- The East End has a large stock of buildings that could potentially be redeveloped as creative/professional workspaces.
- Improved connectivity to downtown Houston and the University of Houston would increase the attractiveness of the East End.
- Improved transit options will increase redevelopment of specific corridors within the East End.
- Ensure that the East End is in-line to receive ReBuild Houston funding for critical infrastructure projects.

THREATS

- Limited to no infrastructure available on vacant properties in the East End may hamper redevelopment or make it more expensive.
- There remains risk aversion among real estate investors.
- While the East End could clearly benefit from additional retail activity now, sizable retail development waits for more sizable residential influx.
- Lack of public / private collaboration to solve the East End's pressing infrastructure needs.

Quality of Place

STRENGTHS

- The East End's location next to downtown remains one of its biggest strengths.
- BBVA Campus Stadium, Toyota Center, and Minute Maid Park, and the George R. Brown Convention Center are close to the East End.
- The East End has ample park space and an exciting emerging trail system.
- The completion of the light rail line will provide the East End will more mobility choices than most other parts of Houston.
- The East End's heritage and diversity is an asset that gives the district a special personality and opportunity to differentiate itself.

WEAKNESS

- The East End lacks a sufficient number and diversity of retail outlets.
- Homeownership rates within the East End are slightly below that of the city of Houston.
- Abundance of empty lots and industrial businesses may have greater redevelopment potential, but they currently diminish the appearance of the East End.
- Similarly, empty lots and industrial uses give visitors the misperception that the East End has a problem with crime.
- Access to parking near light rail and connections to East End Transit Center via local bus options is limited.

OPPORTUNITIES

- Improvements are planned for portions of the Buffalo Bayou located in the East End.
- While the East End has made significant strides in increasing the walkability of the area, many areas still need improvement.
- Abundance of vacant properties in the East End could potentially be suitable for urban residential, new small business hives, and food markets, for example.

THREATS

- Fragmented community effort on improving quality of place could lead to disjointed targets and appearance.
- City of Houston regulations often focus on vehicular traffic at the expense of walkability and other transit choices.
- Despite relatively low crime rates, the East End continues to suffer perceptions of high rates of criminal activity.

SECTION TWO:

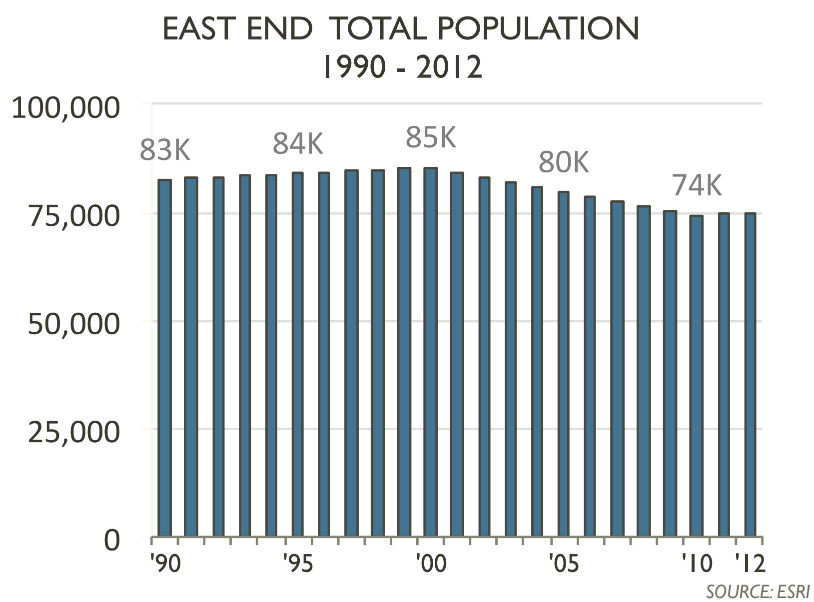
Economic & Demographic Assessment

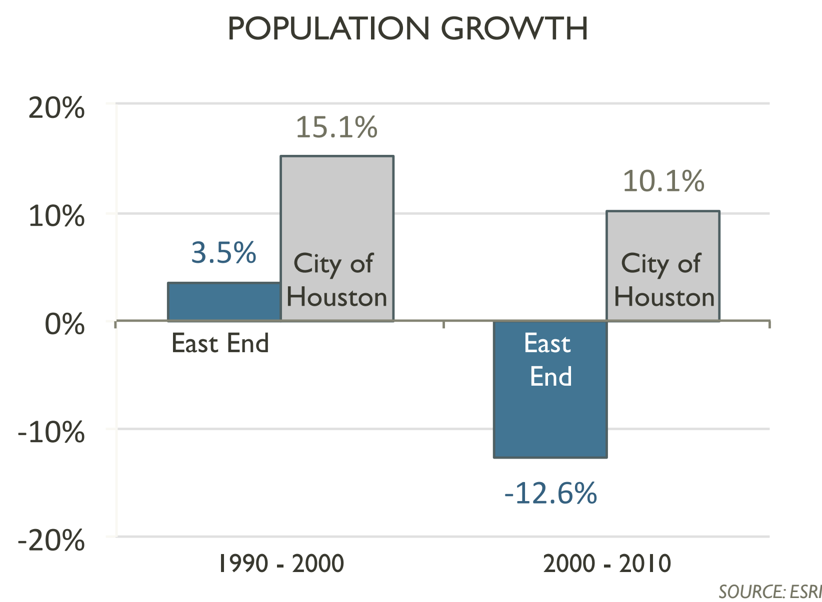
The second section of this report examines trends in the East End across various employment, population, income, and industry metrics. The Economic & Demographic assessment focuses on long-term trends (e.g. how well the region is doing compared to previous years) and comparisons to the city of Houston to help determine the East End's relative performance. The Economic & Demographic Assessment helps identifies the East End's unique assets and competitive advantages.

Population Dynamics

Prior to the 2000s, the East End experienced positive population growth. From 1990 to 2000, the East End's population grew from 82,500 to 84,500, an increase of less than 4%. The city of Houston's population grew more quickly during this period, with population growth topping 15% between 1990 and 2000.

During the past decade, the population of the East End has fallen. Between 2000 and 2010, the East End's population fell from approximately 85,000 to 74,500 residents, a decline of more than 12%. During this same period, the city of Houston's population increased by 10%. Since 2010, the East End's population has remained relatively stable at approximately 75,000.



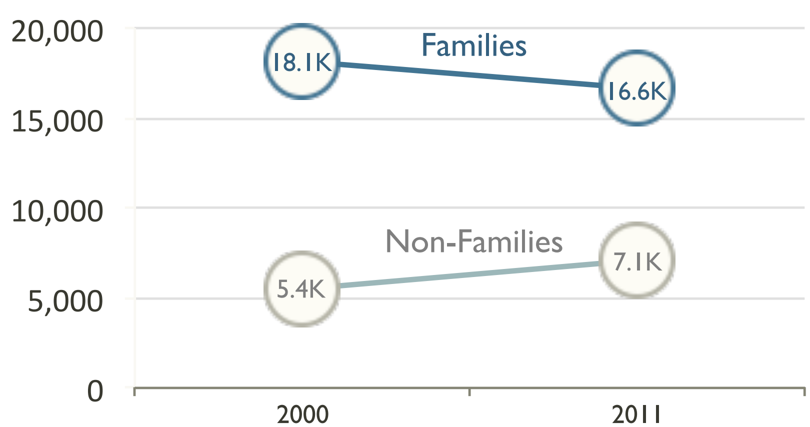


Household Dynamics

The number of individuals living in the East End dropped while the number of households increased slightly between 2000 and 2011. However, the number of family households declined by more than 8% during this period. In contrast, the number of non-family households living in the East End jumped more than 30%.

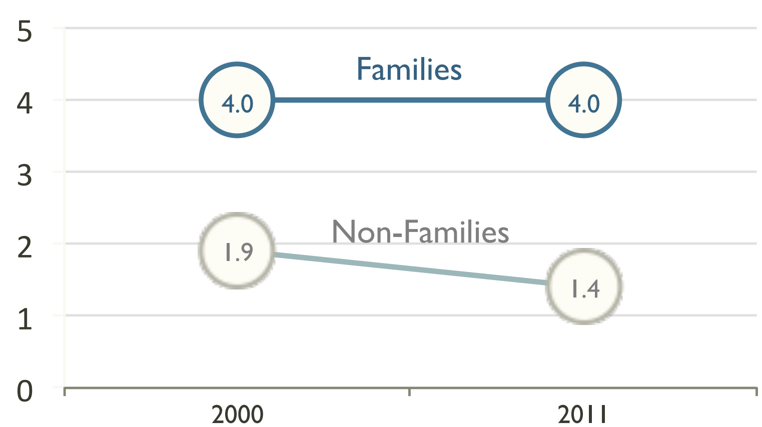
Population increases among non-family residents were insufficient to offset the decline in family households due to the differences in size between family and non-family households. Since 2000, family households in the East End have included an average of four individuals. The average size of non-family households in the East End, however, dropped from 1.9 members to just 1.4. As a result, it takes an average of nearly three non-family households to replace the population of every one family household.

HOUSEHOLD COMPOSITION



SOURCE: US Census Bureau

AVERAGE HOUSEHOLD SIZE

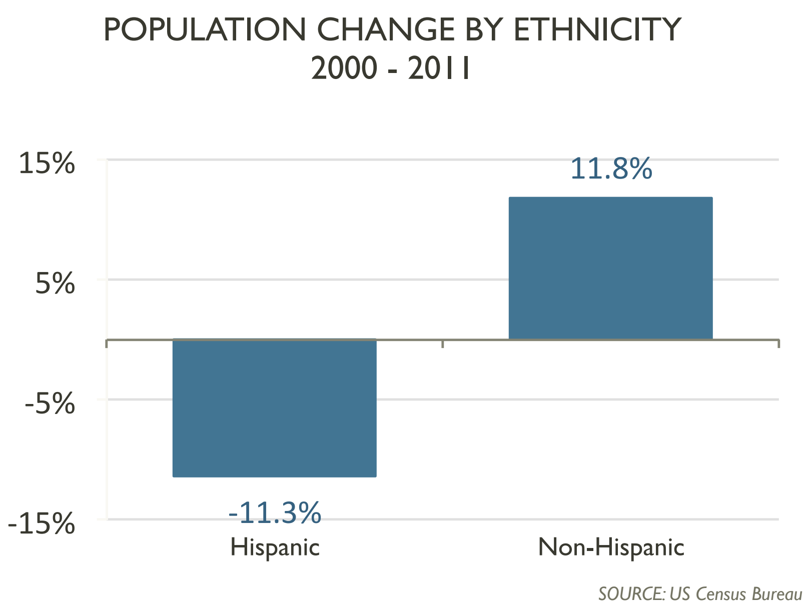


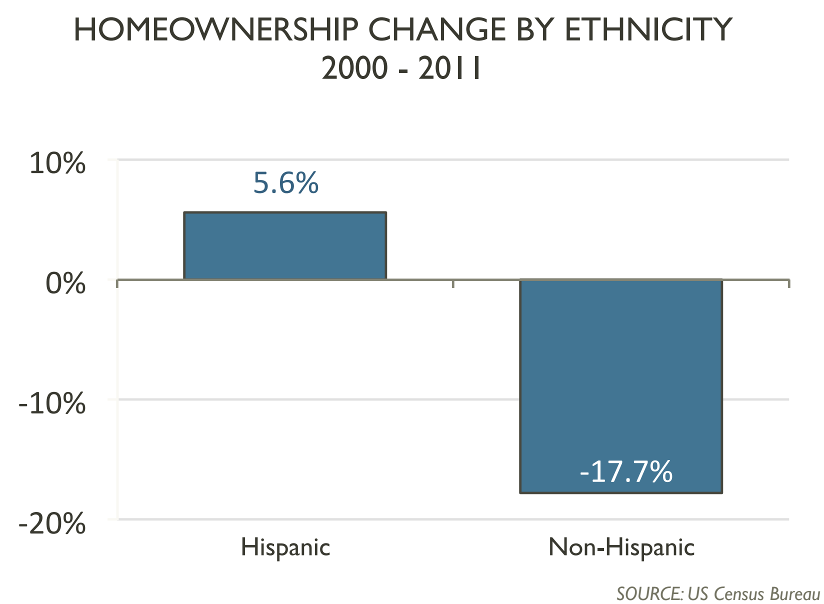
SOURCE: US Census Bureau

Ethnicity, Migration, & Home Ownership

The East End is currently undergoing complex changes in its population and homeownership characteristics. While the number of Hispanic residents in the East End declined by more than 11% between 2000 and 2011, the number of homes owned by Hispanics in the area actually increased by more than 5%. During this same period, the non-Hispanic population increased by nearly 12% despite a decline of nearly 18% in the number of homes in the East End District owned by non-Hispanic residents.

Evolving population and homeownership dynamics suggest that Hispanic residents who have moved away from the Greater End District have been primarily renters. Furthermore, departing Hispanic residents do not appear to have been replaced by new Hispanic in-migrants to the area. In contrast, non-Hispanic residents who have left the East End District have been homeowners. These departing non-Hispanic residents have been more than offset by an influx of non-Hispanic renters to the area.

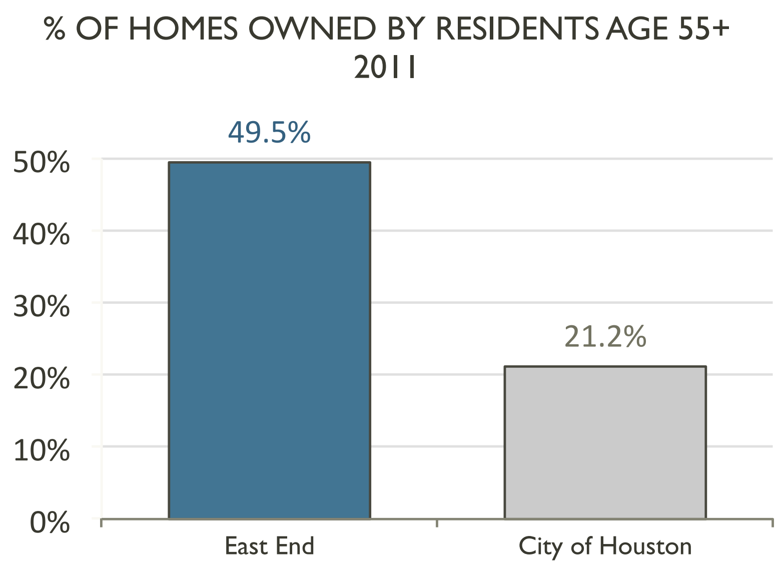




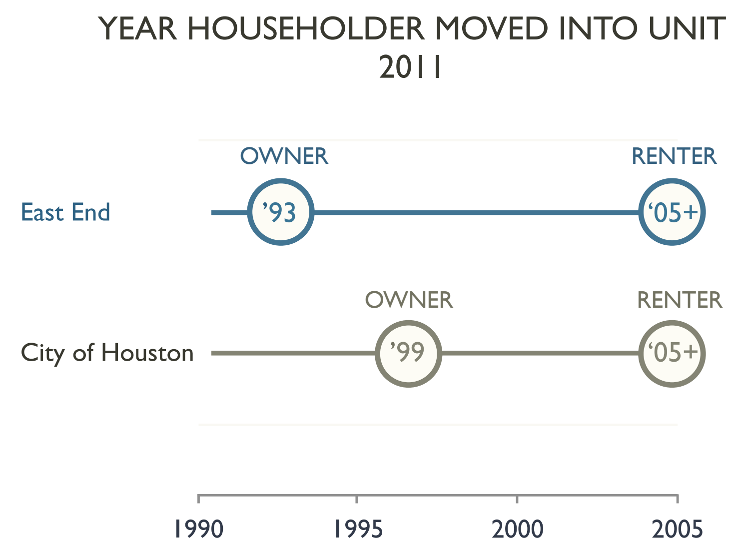
Resident Tenure

While the East End experiences continuous migration into and out of the district, it is also home to many long-time residents. Half of all owner occupied homes in the East End are owned by residents age 55 and older. Within the City of Houston, this figure is just 21%. Additionally, the average year in which East End homeowners moved in their homes is 1993 - six years earlier than the City of Houston residents.

While homeowners in the East End are older and have lived in their homes longer than the City of Houston average, renters in the East End do not appear appreciably different than their counterparts elsewhere in the region. The average renter in the East End moved into their current residence in 2005 or later, identical to the City of Houston average.



SOURCE: US Census Bureau

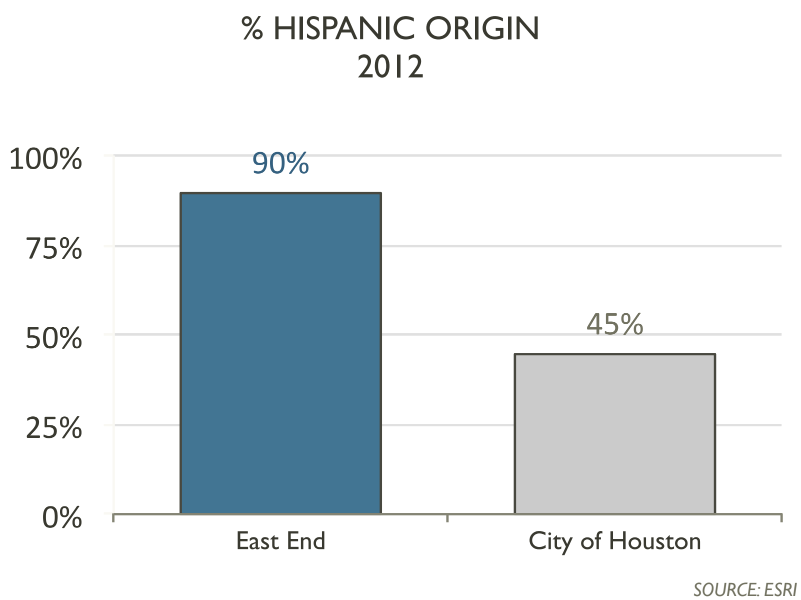


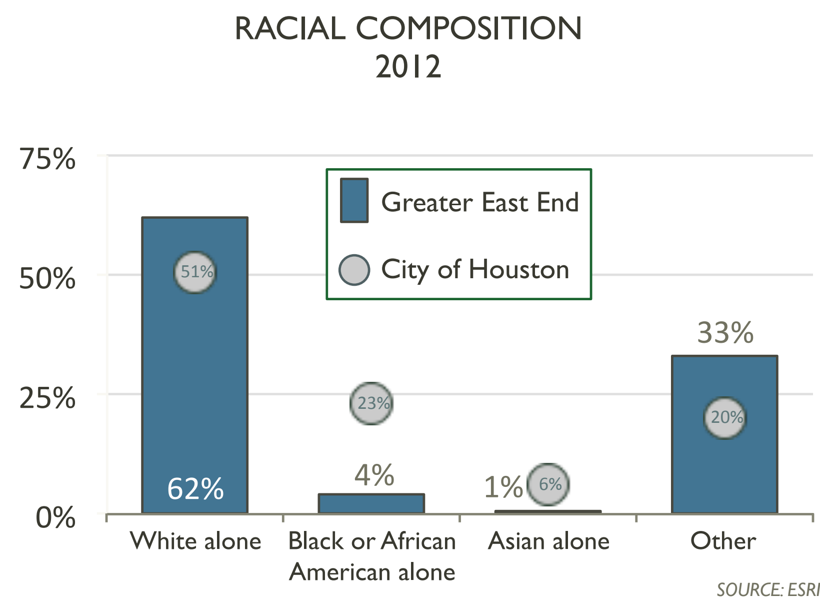
SOURCE: US Census Bureau

Ethnicity & Race

Despite the decline in the East End's Hispanic population, non-Hispanics remain a small minority in the area. Nearly 90% of East End residents are Hispanic, more than twice the proportion observed in the city of Houston.

The East End District is a relatively diverse community. White residents (of any ethnicity, including Hispanic) comprise 62% of the population. While Black and Asian residents represent just 5% of the population, approximately one-third of the population belongs to 'Other' racial categories. More than quarter of the East End's population, for example, reported belonging to "Some Other Race" not listed by the US Bureau.

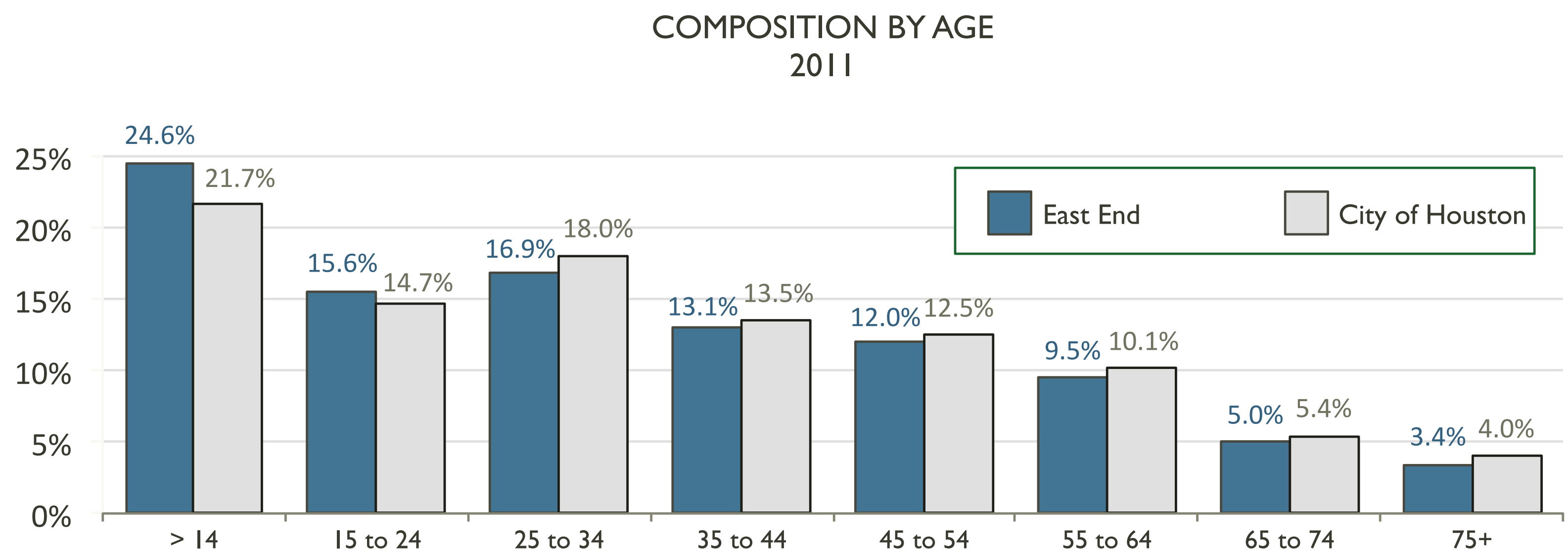




Age

The East End is a comparatively young community. Near 25% of residents are 14 years old or younger (compared to less than 22% of city of Houston residents). An additional 16% of East End residents are between the ages of 15 and 24 (compared to less than 15% of residents in the city of Houston). Outside of residents 24 years old and younger, the East End has a lower proportion of residents in all other age brackets than does the city of Houston (though these differences are rather small).

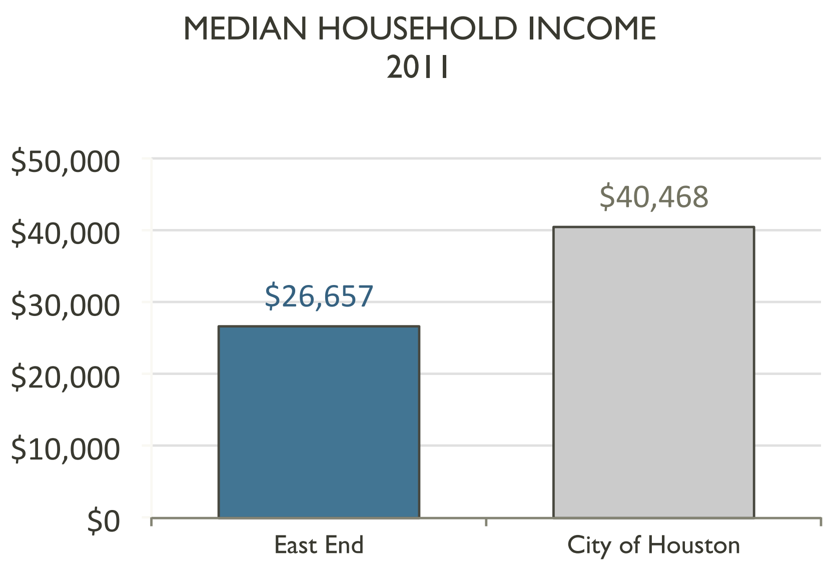
The relative youth of the East End provides the area with a higher proportion of residents of school-age and working-age, a potentially vital factor in a company's ability to obtain a sufficient workforce. The prevalence of younger people in an area also tends to attract additional young residents, the prime demographic of urban pioneers.



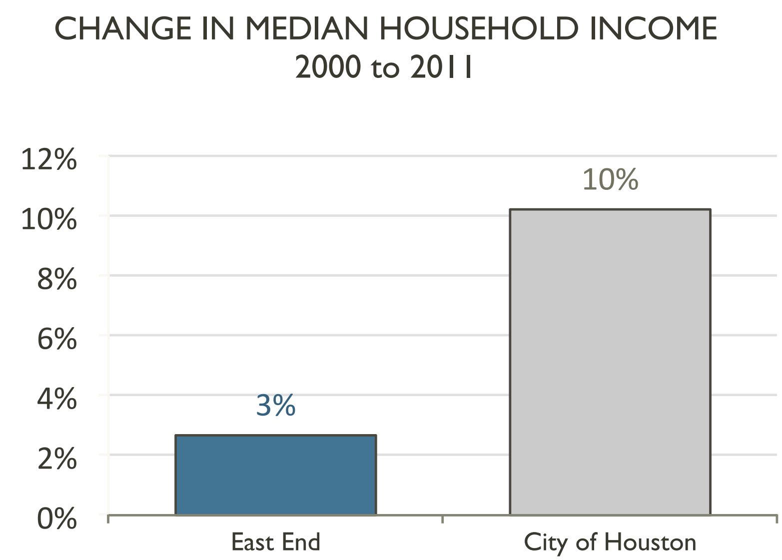
Median Household Income

Median household income in the East End is lower than comparable figures for the City of Houston and increases median household income have been far smaller than the city as a whole. At just under $27,000, the East End's median household income is approximately $13,000 less than the city of Houston. Since 2000, median household income in the East End has increased less than 3%. During this same period, median household income in the city of Houston increased by more than 10%.

The East End's income figures demonstrate the central role educational attainment plays in the pay of residents. Without increases in educational attainment, opportunities in higher-skill, higher-paying occupations for many residents may be limited.



SOURCE: US Census Bureau

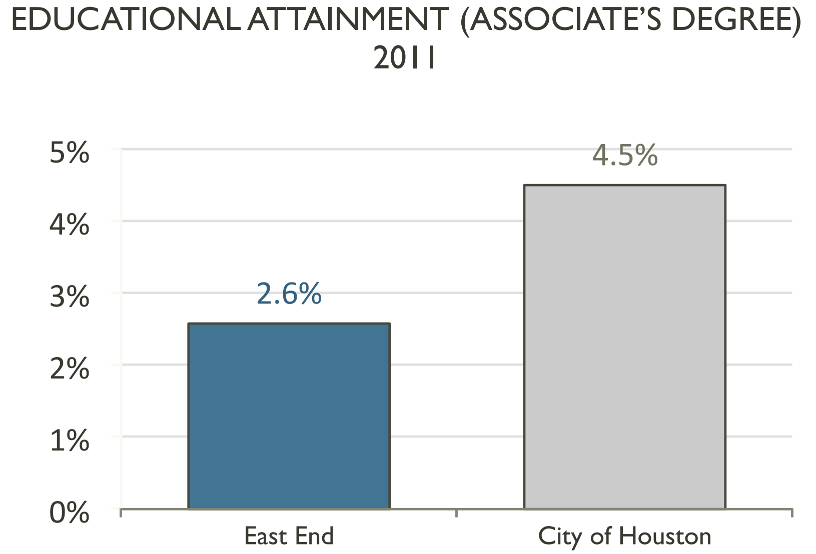


SOURCE: US Census Bureau

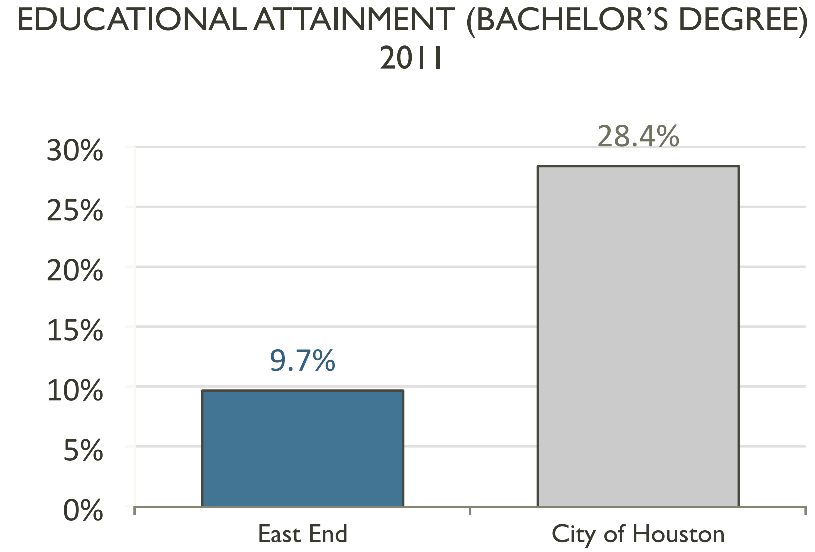
Educational Attainment

The East End's rates of educational attainment trail those of the city of Houston by a significant margin. Fewer than 3% of East End residents age 25 and older possess an Associate's degree, half the average for the city of Houston. Furthermore, less than 10% of the population of the East End has a Bachelor's degree. In the city of Houston, the proportion of residents with a college degree exceeds 28%. Slightly more than half (51%) of residents in the East End did not graduate from high school.

Increases in educational attainment will not only make the East End more attractive to existing and potential employers, but also help fuel improvements in the District's income levels.



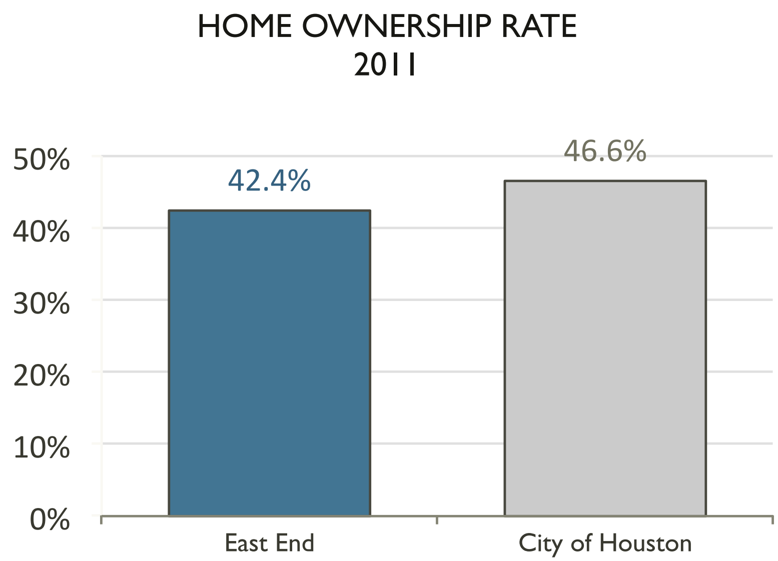
SOURCE: US Census Bureau



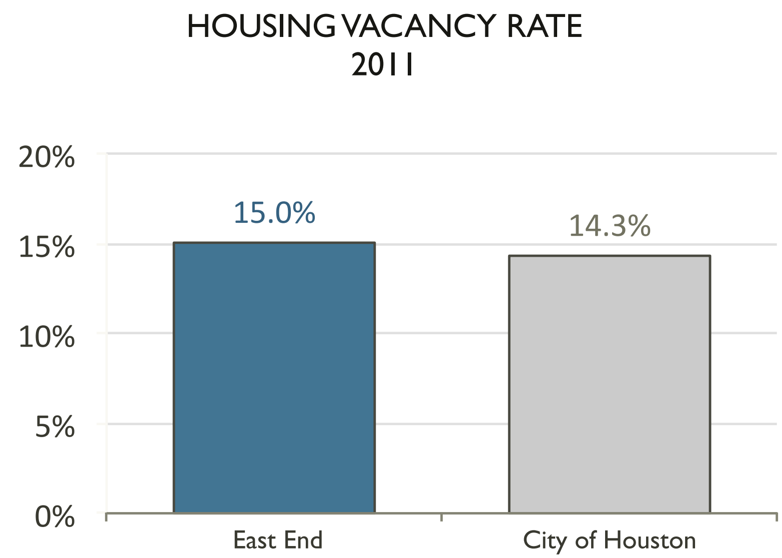
SOURCE: US Census Bureau

Home Ownership & Affordability

Both the homeownership rate and the housing vacancy rate of the East End are comparable to the city of Houston as a whole. Slightly less than 43% of homes in the East End are owner-occupied, slightly below the city of Houston average of 47%. The housing vacancy rate of the East End is 15%, less than a percentage point higher than the housing rate for the entire city. While higher homeownership rates are often associated with greater civic participation, the East End is performing well in this area considering the District's relative youth and a recent increase in the number of rental residential units.



SOURCE: US Census Bureau

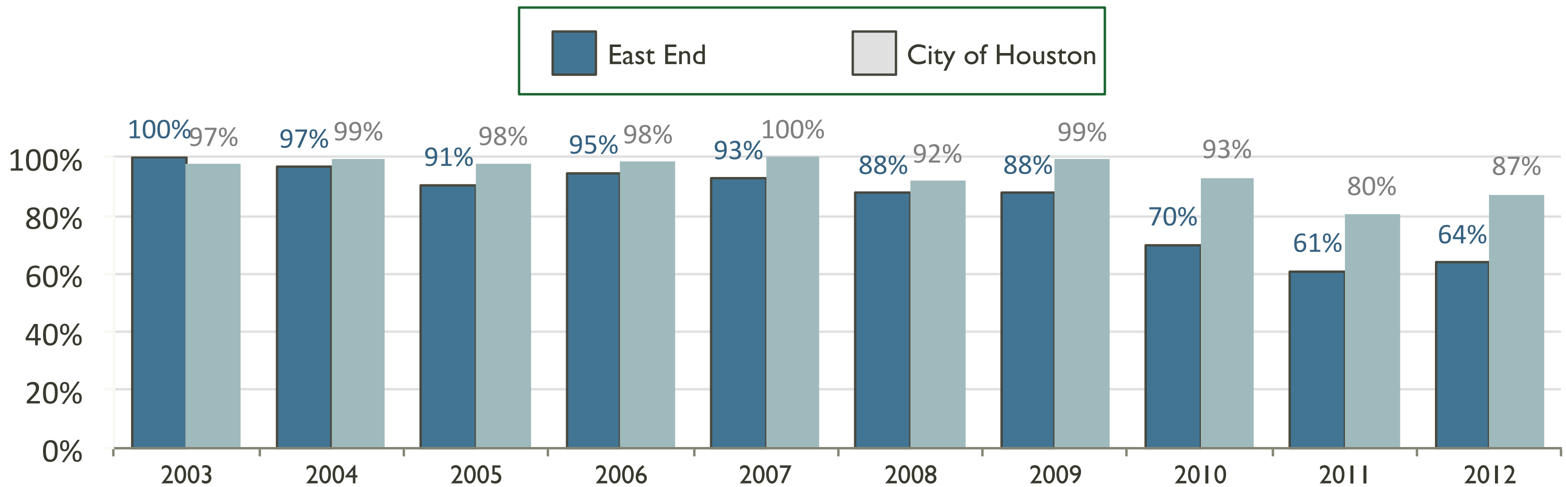


SOURCE: US Census Bureau

Crime

The East End continues to suffer from a reputation as being a relatively unsafe place. In past years, some concern may have been warranted. During the past decade, however, overall incidents of crime (including murder, rape, burglary, assault, and theft) have fallen dramatically. Between 2003 and 2012, the East End's crime rate fell by more than 33%. During this same period, the city of Houston's crime rate fell by just 10%. **Today, the overall crime rate in the East End is lower than the city of Houston.**

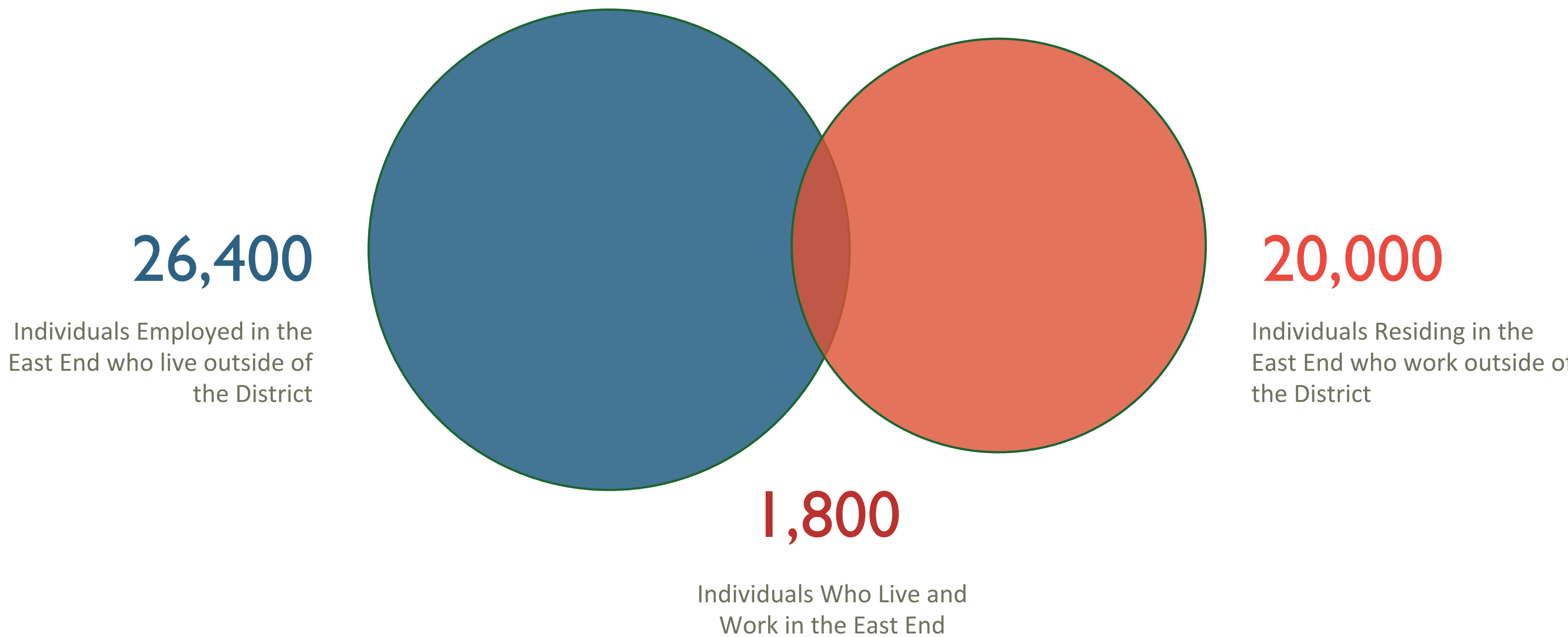
CRIME RATE RELATIVE TO 10-YEAR PEAK (2003 FOR GREATER EAST END, 2007 FOR CITY OF HOUSTON)
2003 - 2012



SOURCE: US Census Bureau *SOURCE: City of Houston Police Department*

The Two Populations of the East End

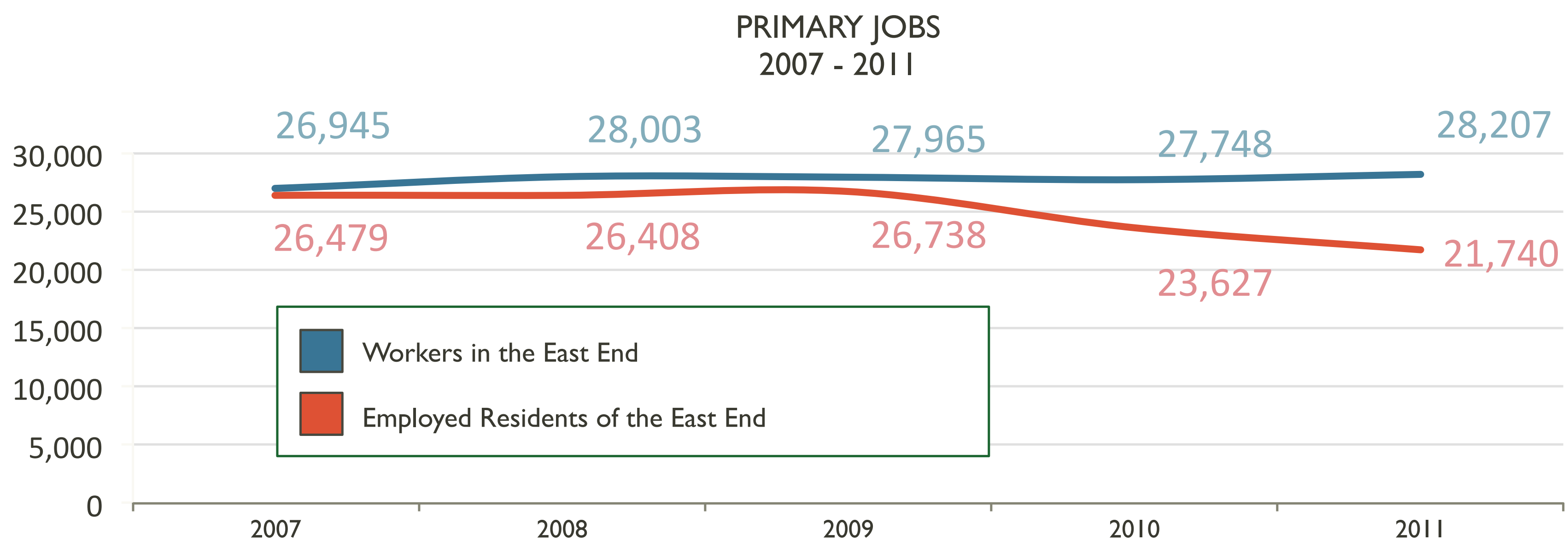
The East End is comprised of two distinct populations—residents who live in the community but work elsewhere and individuals who work in the community but live elsewhere. There is very little overlap between these two groups. Approximately 95% of employed East End residents work outside of the community. Similarly, individuals residing outside of the East End hold more than 90% of the jobs physically located in the district. There are just 1,800 individuals who live and work in the East End.



SOURCE: Bureau of Labor Statistics / US Census Bureau

Employment (Resident Workers & Commuters)

In 2007, the number of residents of the East End with jobs was nearly identical to the number of workers employed in the East End. During the past five years, however, the number of jobs within the East End has increased slightly while the number of employed East End residents decreased by nearly 20%. While some of the decline may be attributable to population loss within the East End (with fewer total residents, there also fewer employed residents), diminished employment prospects associated with the recession have likely proven to be a more decisive factor. If a East End resident dropped out of the workforce or retired, for example, this would result in a lower employment total for the district. Additionally, self-employed workers and workers in the informal economy are not included in the job totals (information on jobs is only available for positions covered by unemployment insurance).

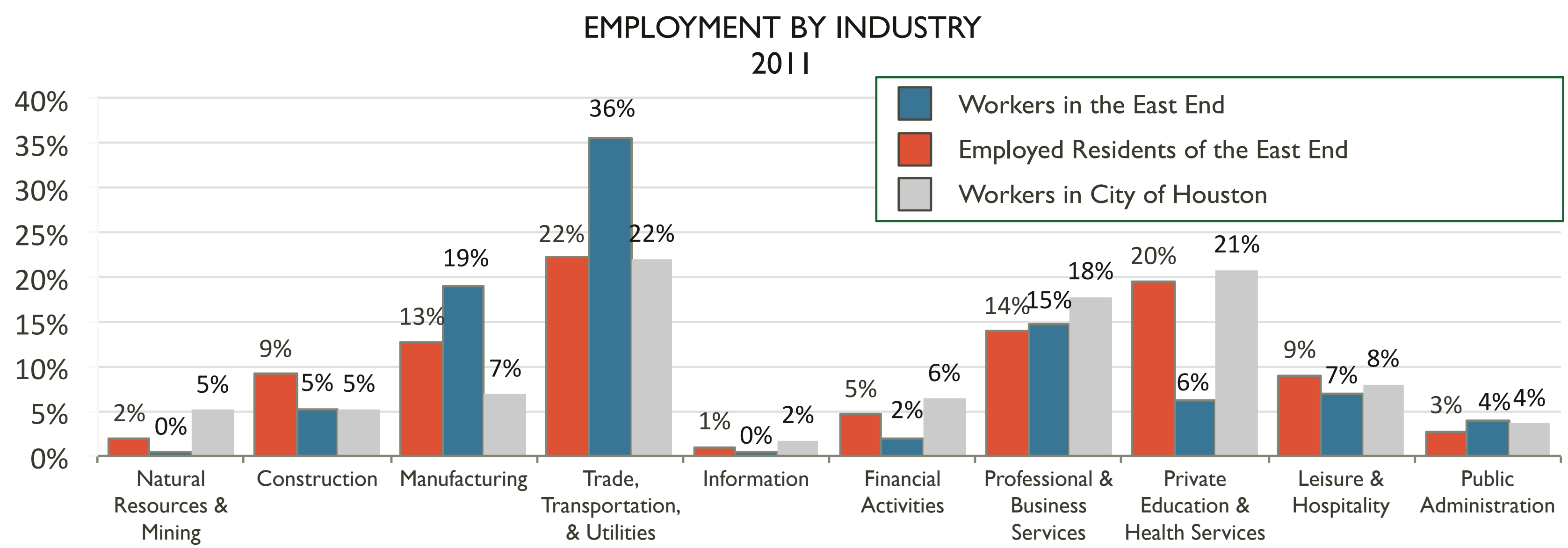


Employment by Industry

Residents of the East End are more likely to be employed in low-skill, low-wage industries than those individuals employed in the East End. The largest employment sector in both populations, for example, is Trade, Transportation, and Utilities. East End residents, however, are more likely to be employed in the retail subsector. Individuals who work in the East End, on the other hand, are much more likely to be employed in the higher paying Transportation subsector.

Manufacturing employs a comparatively large proportion of both the East End's residents and non-resident workers, at 13% and 19% respectively. In the city of Houston, Manufacturing employs fewer than 7% of workers.

While Private Education & Health Services is one of the largest employers of the East End's resident workers (19% of employment), it represents a rather small share of non-resident workers (6% of employment). Similarly, nearly twice as many resident workers in the East End are employed in Construction (9% of employment) than non-resident workers (5% of employment).



SOURCE: Bureau of Labor Statistics / US Census Bureau

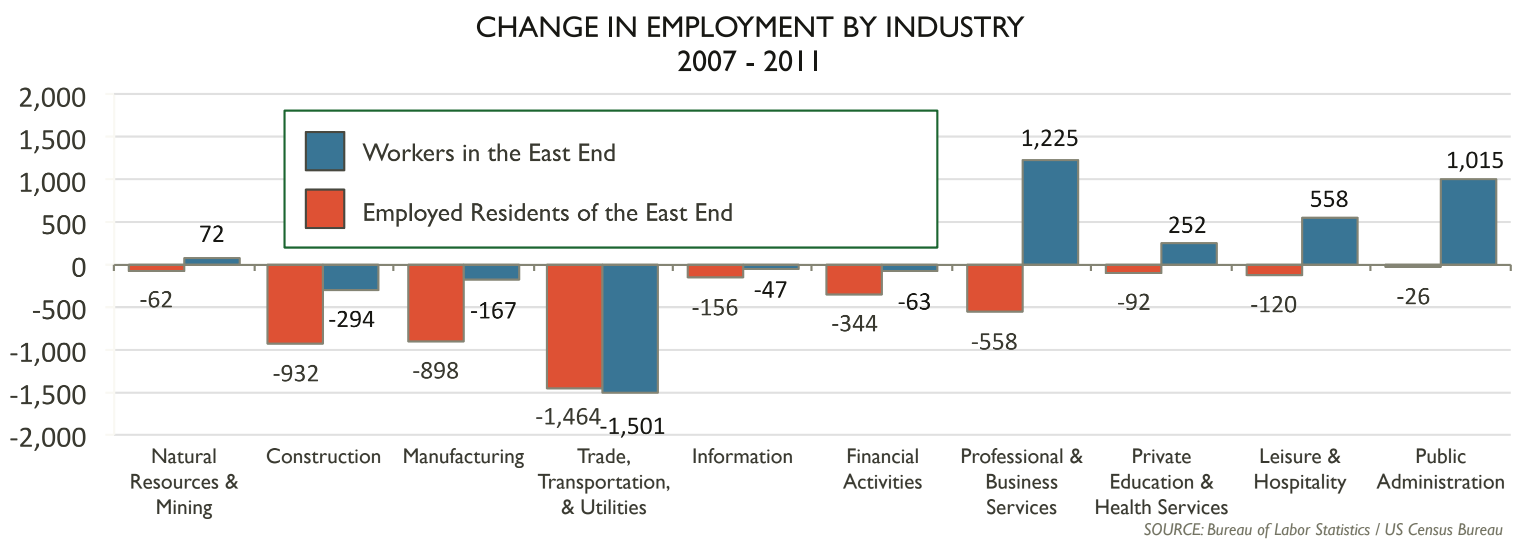
Change in Employment by Industry

Between 2007 and 2011, employment among East End residents declined in nearly every employment sector. The performance of employment within the East End was more mixed, with notably strong growth in Professional & Business Services.

Jobs losses in the Trade, Transportation & Utilities were particularly severe, totaling approximately 1,500 for both East End residents as well those working in the East End. Within this sector, job losses among East End residents were primarily in retail trade. Wholesale trade, on the other hand, was the source of most subsector job losses among those working in the East End.

Within the East End, employment gains in Professional & Business Services were very strong, with more than 1,200 jobs created. This dynamic suggest that the East End may be increasingly seen as a destination for Professional & Business Service firms that seek proximity to downtown without the high rents. The East End experienced Public Administration employment gains of more than 1,000 jobs. This increase, however, may be a temporary increase related to the construction of the light rail line.

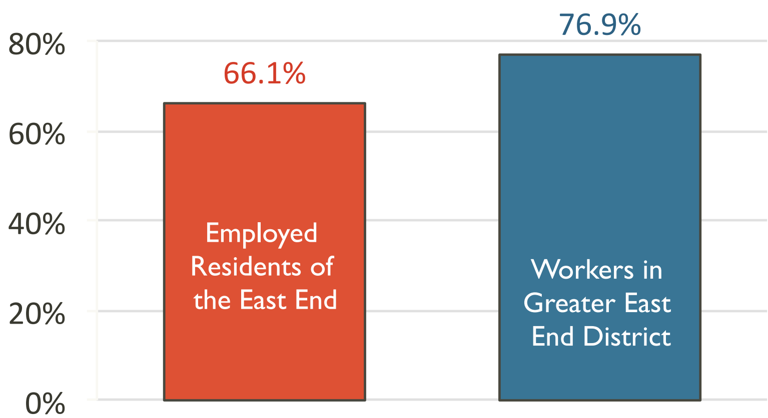
For residents within the East End, there were virtually no bright spots on the employment front. In addition to the previously mentioned declines in Trade, Transportation & Utilities, job losses in Construction and Manufacturing exceeded 1,800. Additionally, the Information, Financial Activities, Professional & Business Services, and Leisure & Hostility sectors all posted triple-digit employment losses.



Educational Attainment Among Workers (Resident Workers & Commuters)

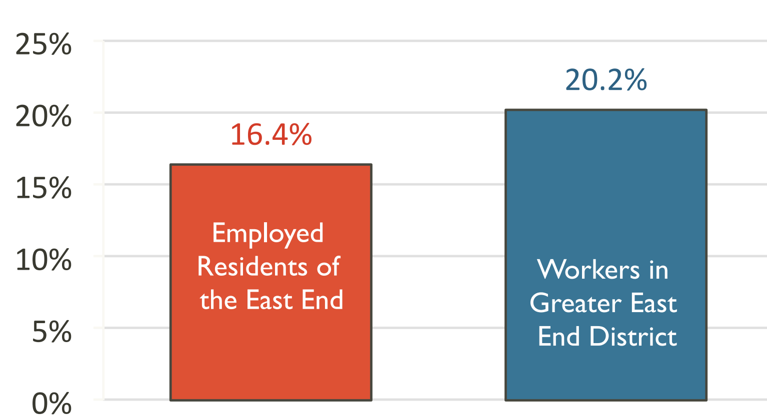
At both the high school and four-year college level, employed residents of the East End have lower levels of educational attainment than individuals who are employed within the East End. Approximately 77% of workers in the Greater East are high school graduates, compared to just 65% of employed residents of the East End. More than 20% of workers in the Greater East possess a Bachelor's degree, compared to less than 16% of employed residents of the East End. Note that due to issues of data availability, educational attainment data is only available for workers age 30 and older.

EDUCATIONAL ATTAINMENT (HIGH SCHOOL) 2011



SOURCE: Bureau of Labor Statistics / US Census Bureau

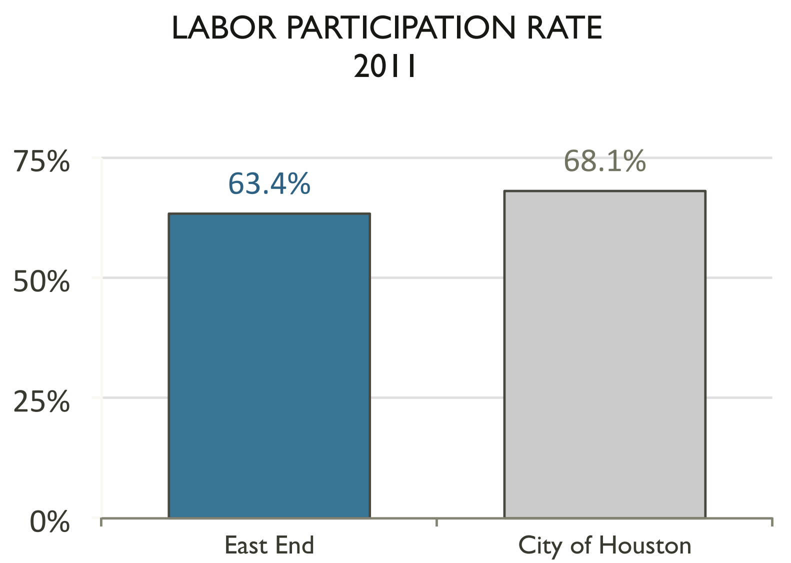
EDUCATIONAL ATTAINMENT (BACHELOR'S DEGREE) 2011



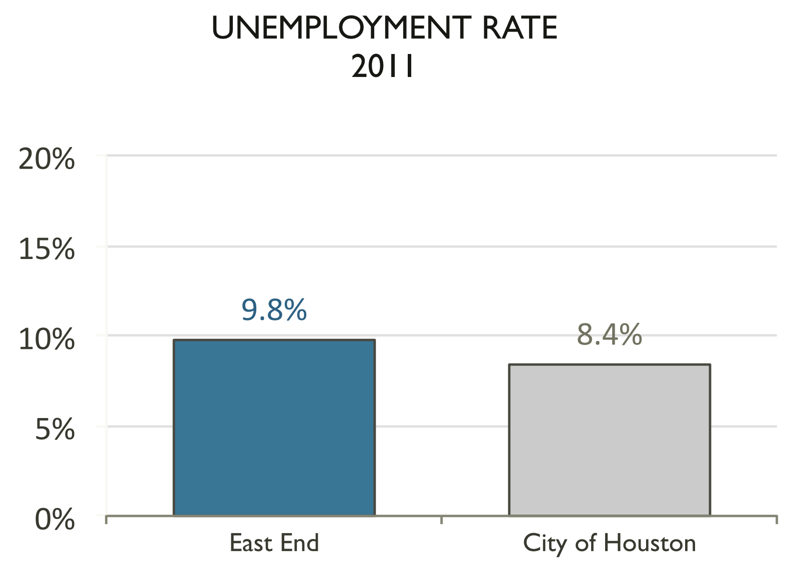
SOURCE: Bureau of Labor Statistics / US Census Bureau

Labor Participation & Unemployment

Labor participation among East End residents is slightly lower than the overall average for the city of Houston. Currently, 64% of East End residents are in the labor force (either employed or unemployed), approximately 5% lower than the city of Houston average. The East End's dampened labor participation rate may be partially the result of diminished economic prospects—the area's unemployment rate is nearly 1.5% higher than the unemployment rate for the city of Houston.



SOURCE: US Census Bureau



SOURCE: US Census Bureau

SECTION Three:

Real Estate Asset Inventory

The third section of this report examines the land use composition of the East End and provides a detailed inventory of buildings located within strategic nodes and corridors within the district.

Overview

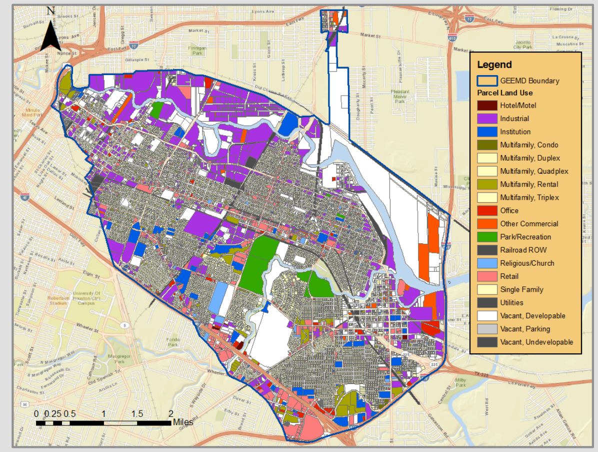
The Greater East End Management District covers 7,100 acres immediately southeast of downtown Houston. The Greater East End Management District is bordered by the Port of Houston and Clinton Drive to the North; the 610 freeway to the east; and Telephone Road, the I-45 interstate and the Union Pacific Railroad to the south and west. According to data from the Harris County Appraisal District and adjusted by CDS, there are nearly 21,000 individual land parcels in the East End, encompassing 41,650 buildings with more than 55.6 million square feet of space.

From a land use perspective, the East End is a hodgepodge of various uses. The single largest land use in the East End is industrial; nearly a third (30.3%) of all land in the East End falls into this category, and most of which is concentrated along the northern edge of the district. Nearly 2,200 acres of the East End are dedicated to industrial uses. The East End is also home to a sizeable number of single-family homes (13,300). Nearly 25% of land in the East End is comprised of single-family housing units. The third most common land use in the East End is vacant developable land, with approximately 874 acres. It should be noted that parcels used as storage yards for nearby industrial uses are sometimes classified in this category.

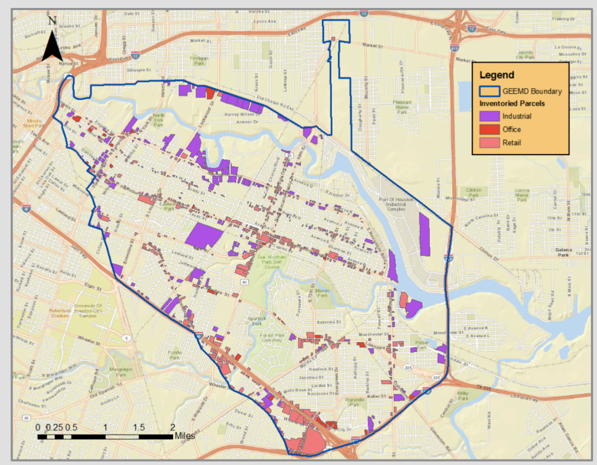
Given its proximity to downtown and the prevalence of vacant land, the East End is extremely well positioned for redevelopment. Due to the sheer size of the East End, however, redevelopment of the area will likely occur over many decades. Additionally, the presence of the Port of Houston and related facilities will remain in the East End for the foreseeable future. Given these twin realities, CDS conducted an inventory of land parcels located along strategic corridors and nodes within the East End. Such areas include Clinton Drive, Harrisburg Boulevard, Navigation Boulevard, Canal Street, North Wayside Drive, Broadway, Lawndale Street, I-45 and Telephone Road. The general Second Ward area west of Sampson was also explored. Due to location and significant public investments (i.e. light rail, multi-use trails), these areas are the most likely to be the site of development activity in the near term. The most significant project at the present time is the construction of a Walmart Supercenter at the northeast corner of I-45 and Wayside.

The following pages provide summary statistics on the number of parcels, acres of land, number of buildings, and square footage of buildings by land use within the areas examined in the East End (*see map to the right*). A complete list of all examined properties can be found in an accompanying spreadsheet to this report.

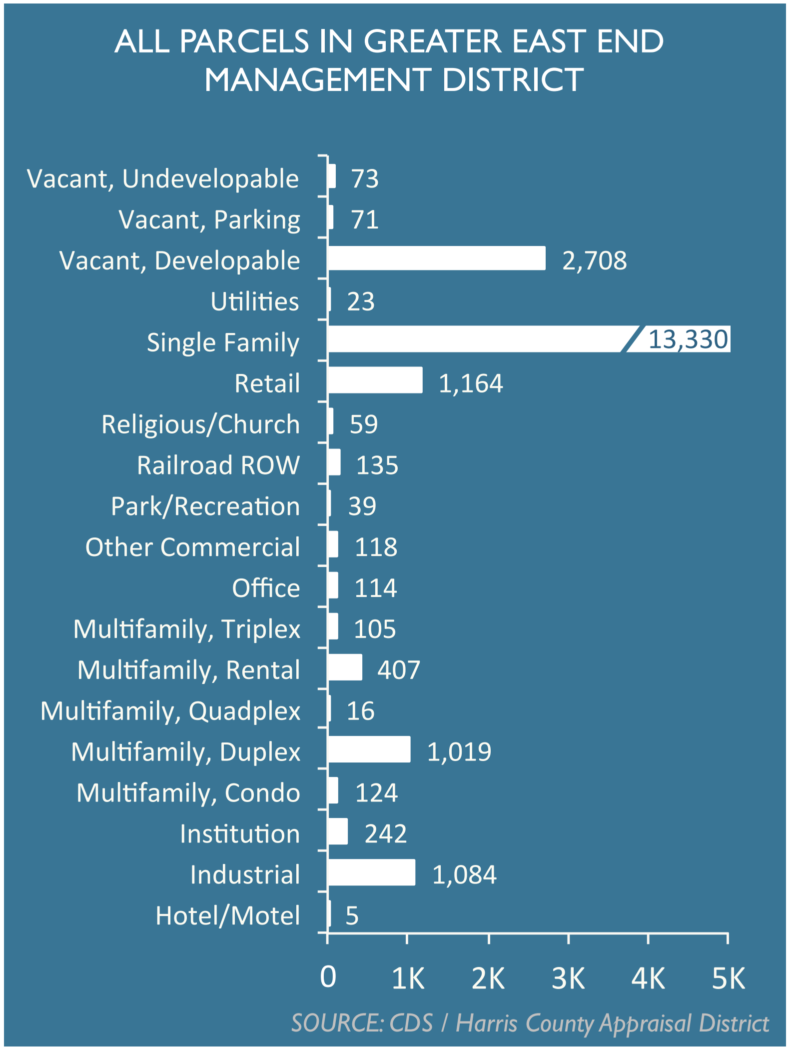
GREATER EAST END LAND USE

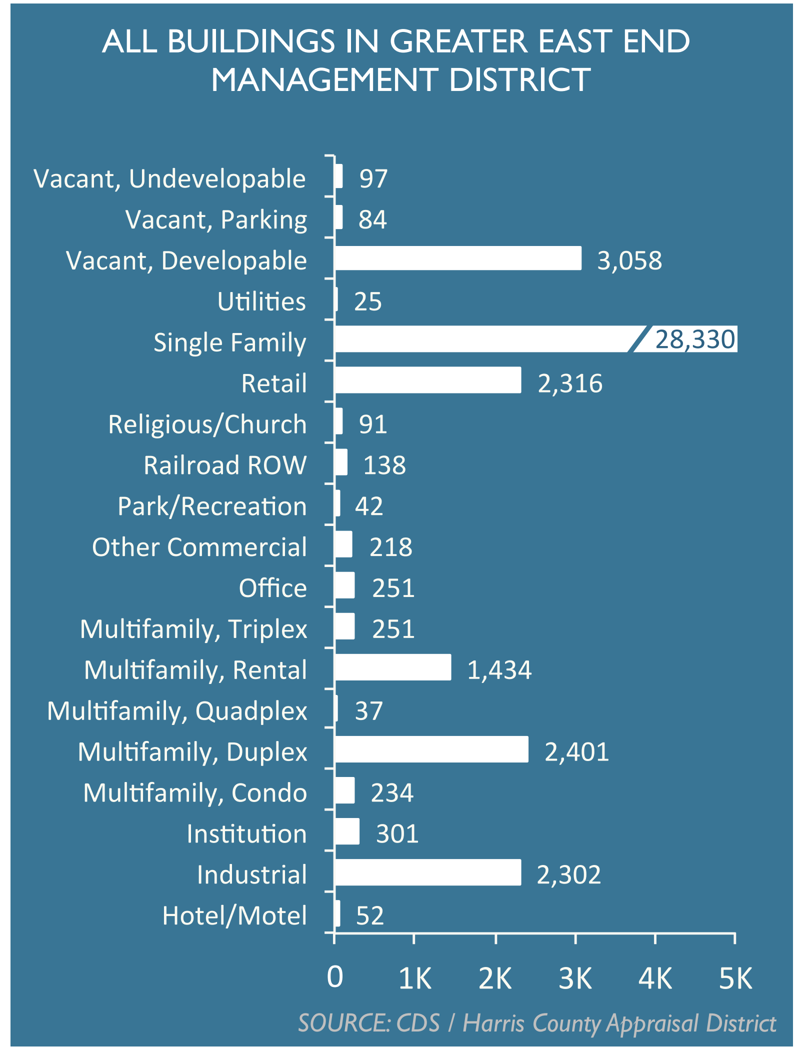


GREATER EAST END INVENTORIED PARCELS

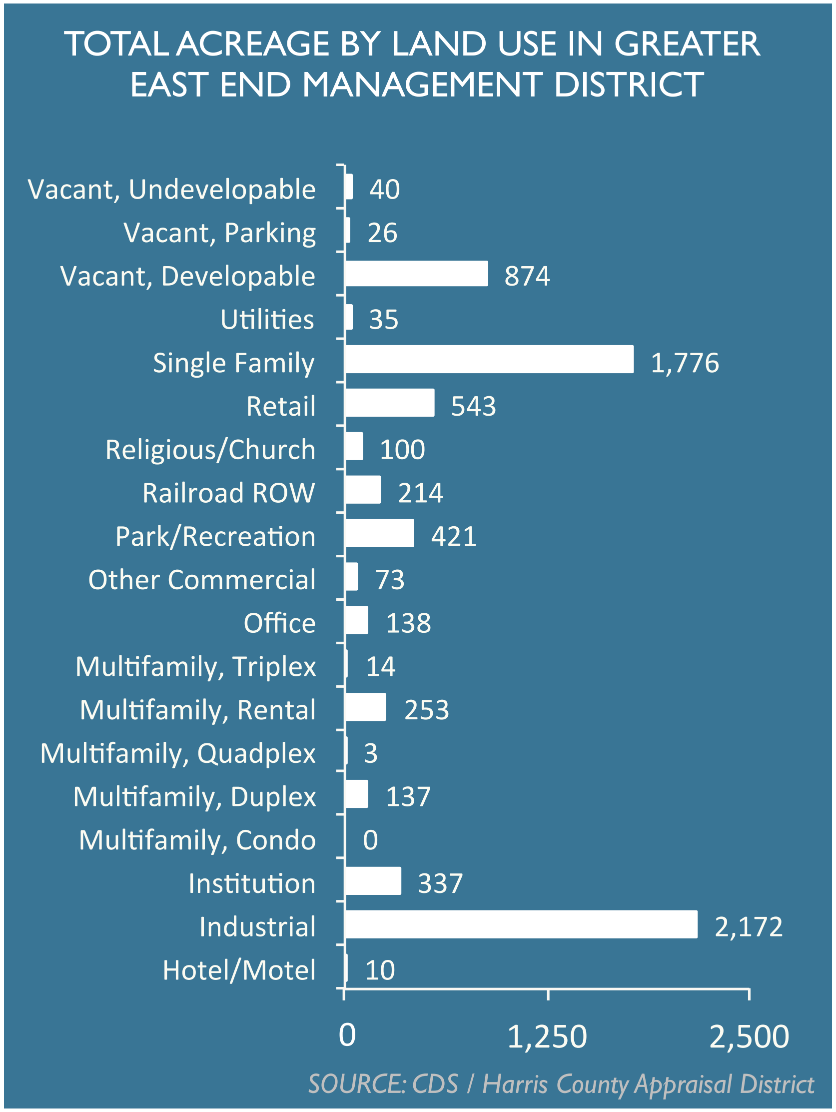


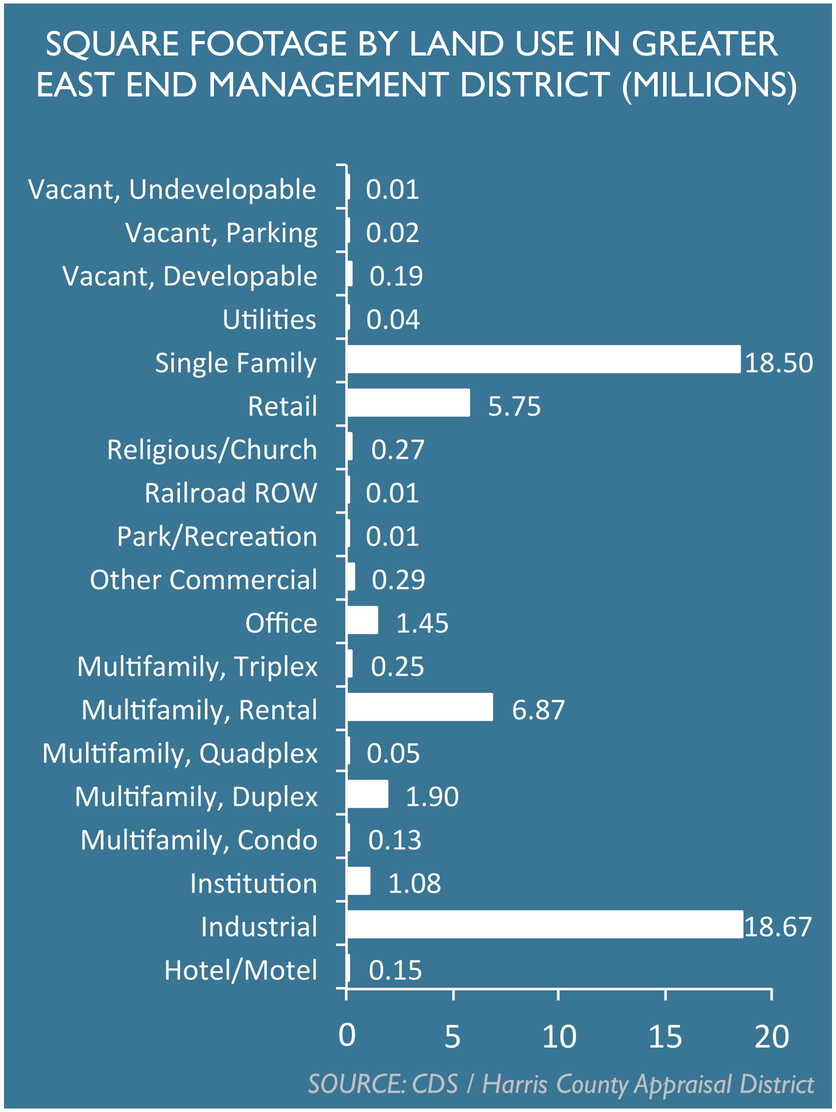
Land Use Summary Statistics



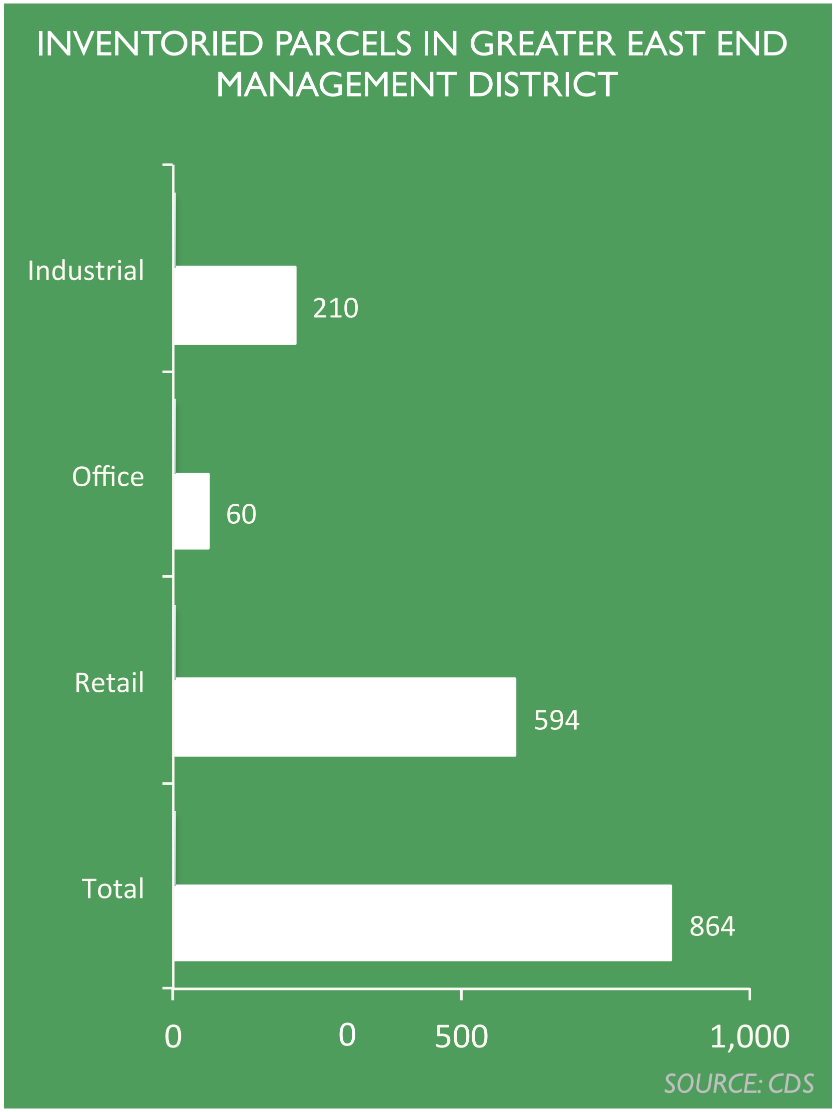


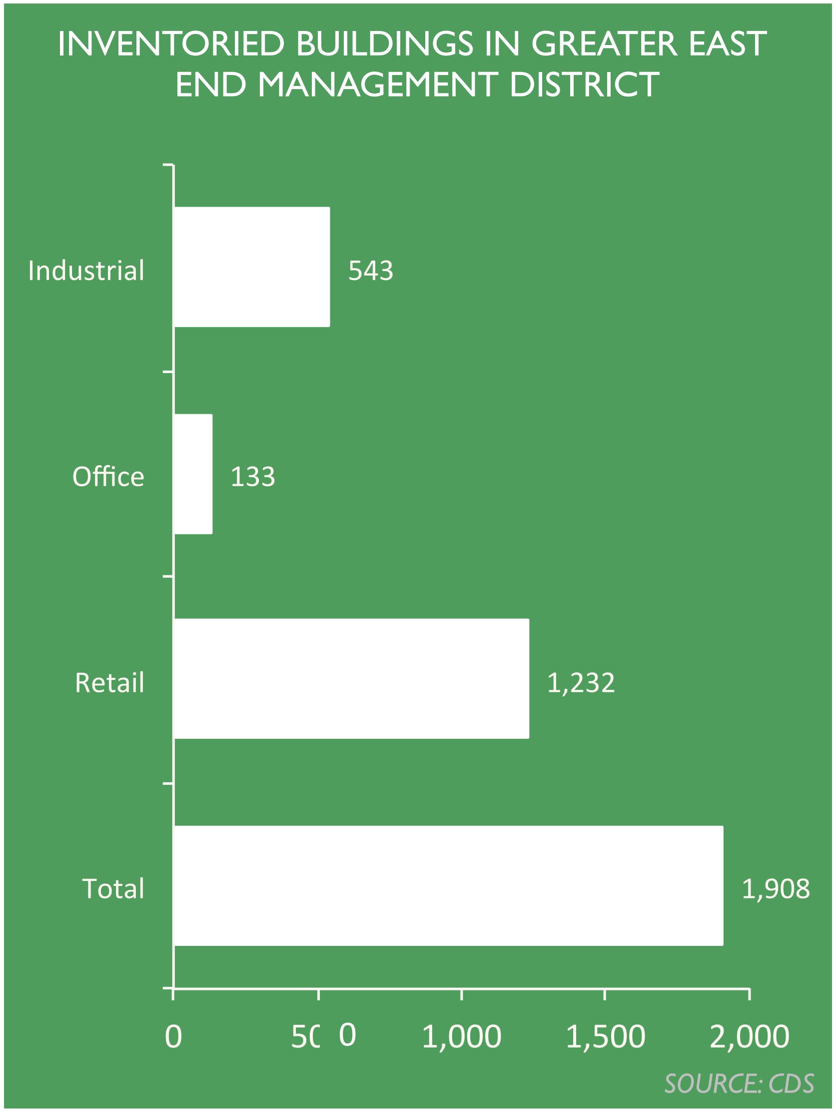
Land Use Summary Statistics (*continued*)





Real Estate Inventory Summary Statistics





Real Estate Inventory Summary Statistics (*continued*)