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Research & Strategic Analysis

EXECUTIVE SUMMARY

Market Position Analysis Market-Rate Housing Potential *Downtown St. Louis, Missouri*

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FOR: Downtown Now

This analysis identifies the market potential for new market-rate housing units, both new construction and/or adaptive re-use of existing buildings, to be leased or sold within the Downtown St. Louis Study Area (bounded by Chouteau Avenue to the south, Jefferson Avenue to the west, Cass Avenue to the north and the Mississippi River to the east).

The market was defined using the Zimmerman/Volk Associates proprietary target market methodology. In contrast to classical supply/demand analysis -- which is based on supply-side dynamics and baseline demographic projections -- target market analysis establishes the optimum market position derived from the housing preferences and lifestyle characteristics of households in the draw area and within the framework of the local housing market context, even in locations where no close comparables exist. Because it considers not only basic demographic characteristics, such as income qualification and age, but also less-frequently analyzed attributes such as mobility rates, lifestyle patterns and compatibility issues, the target market methodology is particularly effective in defining a realistic housing potential for urban revitalization.

The depth and breadth of the potential market has been determined through analysis of households currently living within conservatively-defined draw areas, historic migration patterns, and combined with anecdotal information. As derived from this analysis, households currently living in St. Louis City and County, and Jefferson, St. Charles and St. Clair Counties constitute the main sources of demand for market-rate housing within the Downtown St. Louis Study Area.

Potential areas for market-rate housing initiatives, for both new construction and adaptive re-use, were evaluated during the course of the field investigation and subsequent target market analysis. A core premise underlying the overall housing strategy is that, to retain existing households, or attract new ones, a city must provide appropriately-located, newly-constructed housing units. The establishment of urban residential neighborhoods need not be a “zero-sum” exercise. Rather than succeeding at the expense of other city neighborhoods, new market-rate housing opportunities within the Downtown Study Area, when properly targeted, can expand the total number of households moving into the city. The support of market-rate housing in areas throughout Downtown should continue, although the level of financial and/or other type of support may change.

To capture these households, target areas, in addition to their proximity to the central business district, should meet the following criteria for successful urban housing initiatives:

1. Advantageous adjacency: It is critical to “build on strength,” not only to provide maximum support for the proposed housing initiative, but also, conversely, so that the housing initiative will reinforce existing or proposed adjacent developments (commercial, retail, or residential).
2. Building and/or land availability: At present, most of the open land in Downtown St. Louis has been utilized for public parks or has been transformed into open parking lots, for lack of any economic reasons to do otherwise. Appropriately-located parking lots are therefore excellent sites for new residential construction.
3. Potential for expansion: Each housing initiative should be located in an area where, at the successful completion of the initial project, adjacent or nearby land and/or buildings can be utilized to continue or extend the neighborhood, either through new construction or adaptive re-use. Each proposed housing initiative should not be viewed as a “stand-alone” project, but should serve as a catalyst for additional residential development in surrounding areas.
4. Anchors/linkage: Each housing initiative must be seen as part of the overall urban strategy to build a critical mass of both housing and related non-residential uses that will transform Downtown St. Louis into a collection of 24-hour neighborhoods. “Anchor” locations establish the potential for

economic activity in an underutilized area; “linkage” locations build on the strength of two or more established locations.

THE DOWNTOWN ST. LOUIS STUDY AREA

The Downtown St. Louis Study Area contains the core of the business district, along with a number of civic buildings, historic sites and museums, sports arenas, shopping centers and a convention center. It is also the site of the Jefferson National Expansion Memorial on the riverfront, which incorporates the distinctive Gateway Arch. Although the individual assets of the Downtown Study Area are often quite impressive, collectively they lack the synergy required to have a genuine impact on the Downtown as a whole.

Many attractive, older buildings remain throughout the Study Area and are in varying conditions, ranging from rundown and vacant to fully restored and occupied. Many of the neglected buildings are worthy of restoration, but others either have little architectural value or are so badly dilapidated that they should be demolished to make way for new construction. These sites, along with a number of vacant lots and parking lots, provide ample opportunities for the creation of new housing units.

Several areas in Downtown St. Louis have been identified as potential development or re-development locations for the “first wave” of market-rate housing initiatives. These areas include the following:

- Laclede’s Landing neighborhood;
- Washington Avenue Loft District;
- Cupples Station; and
- Eugene Field House neighborhood.

A number of other areas within the Downtown Study Area were also considered, including, along others, the Chouteau’s Landing riverfront area south of the Arch Park, the area north of Union Station, and other areas to the west of 20th Street. Although these areas have characteristics supporting new housing development, they did not meet all of the criteria for “first-wave” efforts, particularly proximity to the core, and linkage potential. However, once new housing is established in

the “first-wave” areas, these areas and others will become logical locations for housing expansion.

These “first-wave” areas are not intended to describe specific parcels and, therefore, this analysis does not address site-specific development issues, such as ownership objectives, site condition and environmental liability, or financial feasibility.

The target market methodology identifies those households with an affinity for city living likely to move from within the above-cited draw areas. Based on that methodology, potential renters/buyers of new market-rate housing units (new construction and/or adaptive re-use) within the Downtown St. Louis Study Area in 1997/1998 are part of a pool of nearly 9,300 urban-oriented households currently living in the defined draw areas. Without a wide range of appropriate Downtown housing options, these households either move to other urban neighborhoods or move less frequently than their mobility rates would indicate.

The recommended initial market position for new market-rate housing within each area has been placed within the context of the St. Louis housing market and has been derived from the housing propensities of the likely residents of each area with the objective of creating and/or supporting stable, urban neighborhoods.

Therefore, the market-entry base rents/prices (in 1998 dollars) for each of the development areas are as follows:

**OPTIMUM MARKET POSITION
DOWNTOWN ST. LOUIS STUDY AREA
{NEW CONSTRUCTION AND ADAPTIVE RE-USE}**

HOUSING TYPE	RENT/PRICE RANGE	SIZE RANGE	RENT/PRICE PER SQ. FT.
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**Laclede's Landing Neighborhood
(New Construction)**

Courtyard Apts (Rental)	\$700-\$1,100/month	750-1,250 sf	\$0.88-\$0.93 psf
Mansion Apts (Rental)	\$850-\$1,250/month	800-1,300 sf	\$0.96-\$1.06 psf
Mansion Apts (For Sale)	\$130,000-\$175,000	1,250-1,700 sf	\$103-\$104 psf
Rowhouses	\$110,000-\$155,000	1,100-1,500 sf	\$100-\$104 psf

**Washington Avenue Loft District
(Adaptive Re-Use/New Construction)**

Rental Lofts	\$700-\$1,400/month	1,000-2,000 sf	\$0.70 psf
For-Sale Lofts <i>{Adaptive Re-Use}</i>	\$95,000-\$200,000	1,000-2,500 sf	\$80-\$95 psf
Rental Apts	\$650-\$1,050/month	750-1,250 sf	\$0.84-\$0.87 psf
For-Sale Apts <i>{New Construction}</i>	\$85,000-\$135,000	900-1,500 sf	\$90-\$94 psf

**Cupples Station
(Adaptive Re-Use/New Construction)**

Rental Apts <i>{Adaptive Re-Use}</i>	\$500-\$1,200/month	500-1,500 sf	\$0.80-\$1.00 psf
Rental Apts <i>{New Construction}</i>	\$600-\$1,000/month	750-1,250 sf	\$0.80 psf

**Eugene Field House Neighborhood
(New Construction)**

Mansion Apts (Rental)	\$800-\$1,200/month	800-1,300 sf	\$0.92-\$1.00 psf
Mansion Apts (For Sale)	\$120,000-\$165,000	1,250-1,700 sf	\$96-\$97 psf
Rowhouses	\$100,000-\$145,000	1,100-1,500 sf	\$96-\$97 psf
Single-Family Detached	\$150,000-\$195,000	1,500-2,000 sf	\$98-\$100 psf

In several of these areas -- and elsewhere in the Downtown Study Area -- multi-family development should not only be in larger-scale buildings, (both rental and for-sale) but should also utilize the "mansion" building form for maximum flexibility in new construction.

The mansion building is typically comprised of two or three stories, with a street facade resembling a large detached house. The building has a variety of uses -- from rental or for-sale apartments, professional offices, any of these uses over ground-floor retail, a bed and breakfast inn, or a large single-family detached house -- and its physical structure complements other buildings within a neighborhood.

Given the relationship of the recommended rents/prices to the number and incomes of target households; a market position emphasizing both housing and neighborhood quality; and assuming aggressive individual marketing programs for each area, average annual absorption for each housing type within each area is forecast as follows:

FORECAST ANNUAL ABSORPTION
(Including Recommended “First-Wave” Areas Only)
DOWNTOWN ST. LOUIS STUDY AREA
NEW CONSTRUCTION AND ADAPTIVE RE-USE

AREA APTS/LOFTS		TOWNHOUSES	SINGLE FAMILY		TOTAL
	RENTAL	FOR-SALE		DETACHED		
Laclede’s	143	20	24	--		187
Loft District	60	24	--	--		84
Cupples	100	--	--	--		100
Field House	<u>36</u>	<u>20</u>	<u>24</u>	<u>18</u>		<u>98</u>
TOTAL	339	64	48	18		469

Laclede’s Landing Neighborhood

From a market perspective, the acreage immediately north of Laclede’s Landing is an excellent area for new residential development due to its highly visible location near a major highway and the Mississippi riverfront; its adjacency to both the Laclede’s Landing historic district and a Metrolink station; and its proximity to the Downtown core and the Washington Avenue Loft District. Residential new construction in this area could also have a positive impact on commercial uses within Laclede’s Landing.

Washington Avenue Loft District

The Washington Avenue Loft District represents a natural linkage between the Downtown St. Louis core and Laclede's Landing. A number of loft apartments have been created in recent years within renovated warehouse and manufacturing buildings; most are currently occupied, but a number are still available either for sale or for rent. Most of the lofts feature completely open space, while others, such as those at **Art Loft**, have been divided into separate rooms.

The scheduled restoration of the Gateway Hotel and Lennox Building as a major convention hotel should have significant impact on the successful development and completion of residential initiatives along Washington Avenue. More activity on Washington Avenue will increase retail feasibility which will, in turn, support additional resident households.

Residential re-use of existing non-residential structures is one of the most beneficial redevelopment types because it creates and enhances a pedestrian-oriented street environment at a familiar, and often historic, urban fabric and scale.

Cupples Station

Because of its location, Cupples Station could become the residential "anchor" for the adjacent employment centers -- an appropriate residential environment for the Downtown workforce. The Cupples Station area is near the new Thomas F. Eagleton Federal Courthouse, now under construction. Significant numbers of people are currently employed in the civic offices in the vicinity, along with a number of other nearby office buildings and plants, such as the SBC offices in the area north of Market Street and the Ralston Purina campus south of Interstate 64.

Based on the lifestyle and consumption propensities of potential resident households, adaptive re-use of the Cupples Station buildings could be designed to provide the amenities and services provided by modern luxury apartment developments within the context of the charm and style of older apartment buildings.

Eugene Field House Neighborhood

The acreage surrounding the Eugene Field House on South Broadway represents an excellent market opportunity for new residential development due to its location near Busch Stadium and Interstate 64, its adjacency to the historic Eugene Field House, and its proximity to the Downtown core as well as the potential residential development of Cupples Station.

Some of the large amount of land currently dedicated to open parking lots for Busch Stadium could be acquired to develop a vital new residential neighborhood surrounding and incorporating the Eugene Field House and other existing structures; considering the significant potential for residential expansion both to the east and the west, the new neighborhood could anchor the market-rate residential redevelopment of the southeastern edge of Downtown.

The four “first wave” market-rate housing initiatives, as outlined above, will act as catalysts -- to support continued residential growth in the Downtown Study Area, to enhance existing assets, both residential and commercial, and, ultimately, to make significant non-residential economic development more feasible.