# 9 REAL ESTATE MARKET CONDITIONS

## A. INTRODUCTION

The redevelopment of the LSAAP and the RRAD-WEP will compete, to some extent, within the regional real estate market. The redevelopment will compete for potential users from a variety of commercial and industrial sectors, and could include some residential development. In addition, because of the unique characteristics of the site, the property will compete against other large-scale commercial and industrial sites that can support very large development projects.

This chapter provides overview information on the various sectors of the real estate market. Data are presented for the Texarkana MSA and Bowie County as appropriate and available. The industrial/warehouse market is reviewed, as well as rural land sales, residential, and land sales for retail development. In addition, overview data are presented for a group of competing large sites in the Southern United States.

## B. SUMMARY OF MAJOR FINDINGS AND CONCLUSIONS

### 1. Warehouse/Distribution/Industrial

- Despite strong growth in employment in the warehousing and distribution market, the Texarkana MSA has not seen significant levels of new industrial and warehouse land sales. Due to the aggressive nature of economic development activities in the region, land is frequently provided at low or no cost to many industrial and warehouse users as an incentive for job creation. The few parcels that are marketed for industrial, warehouse or distribution development tend to be clustered in the range of $15,000 to $30,000 per acre.

> ***Redevelopment Alert!***
>
> *Given the competitive nature of economic development, industrial land is often provided at low or no cost as an incentive to attract new industry. This practice could curtail the RRRA's revenue potential as it redevelops the LSAAP and RRAD-WEP facilities.*

- Published rental rates for industrial and warehouse properties are typically in the range of $2.00 to $3.00 per square foot per year. This equates to an approximate sale value of $20 to $30 per square foot. This is below replacement cost in most cases, and indicates a limited demand for these facilities in the regional marketplace.

## 2. Rural Land Sales

- Rural land sales data were reviewed, which was developed by the Real Estate Center at Texas A&M University. The median tract size has been between 70 and 90 acres for most of the last 30 years. In terms of values, the median price per acre increased steadily from 1966 through 1985. However, between 1985 and 1990, the median price declined by more than 35%. In general, price trends have been positive since 1990.

## 3. Competitive Large Development Sites

- The result of a search for competitive development sites with a minimum of 1,000 acres of contiguous land, with zoning suitable for development of a large-scale industrial, manufacturing and/or warehouse and distribution use, identified 10 sites in Texas and nearby states. These sites total more than 25,000 acres of available industrial land.

- The LSAAP/RRAD-WEP properties score well against competing "super sites" based on highway access, rail access, availability of utilities, and the cost of natural gas. However, the State of Texas has some of the highest electric rates in the region, which is a disadvantage in marketing to companies with high electric usage.

***Competitive Position***
***LS/RR Properties Well Positioned***

*The LS/RR properties are very competitive with other large development sites in the southern United States. In particular, the LS/RR site competes well in the areas of highway access, rail access, natural gas costs, and the size of the regional labor force. The cost of electricity is viewed as the site's biggest challenge, since electric rates in Texas are higher than surrounding states.*

- In terms of labor force availability, the LSAAP/RRAD-WEP properties compete very well. Data were obtained from the U.S. Bureau of Labor Statistics or each county where these large development sites are located. Bowie County has the second largest labor force among the competing sites, surpassed by only the Joplin, Missouri location.

- The LSAAP/RRAD-WEP property could be competitive with other large development sites in the Southern United States. The property's large size, excellent Interstate highway access, and low natural gas costs are considered its strongest marketing advantages (i.e. areas where competitors scores were lowest), along with the size of the local labor force. Marketing challenges (i.e. areas where competitors scored highest) include electricity costs within the State, as well as the population base within the larger region.

## 4. Retail Market

- The retail market in the Texarkana MSA has seen strong growth in recent years. According to data from the Texas Comptroller's Office, retail sales in the Texarkana MSA increased by almost 25% between 2002 and 2005. This is a result of significant expansion of the retail base over the past several years, particularly "big-box retailers" that have spurred large-scale development, particularly along the Interstate 30 corridor. Retail sales were estimated to be almost $2 billion in 2006. The increased interest in retail development has raised land prices to $325,000 to $435,000 per acre.

## 5. Housing

- The Texarkana housing market is considered very affordable. The reported average price for a home in the Texarkana area was $115,000 in 2005. This represents an increase of more than 20% over the 2002 average price of approximately $95,000.

Since 1991, the average price in Texarkana has doubled. The median income in Texarkana is more than twice the amount required to afford the median-priced home. In contrast, the median income in the State is just 1.68 times the amount required to afford the median-priced home.

- Building permit activity in the Texarkana MSA has been steady, with between 220 and 275 single-family homes being permitted each of the past five years, for an annual average of 238 units over the period. The MSA has permitted construction of 1,890 new housing units in the past five years, an average of 372 per year.

## C. REAL ESTATE MARKET CONDITIONS

The Texarkana MSA and Bowie County have an active real estate market. In particular, the MSA recently has seen significant growth in retail development. There also has been activity in development, primarily related to financial services uses. This section provides overview information regarding key sectors of the real estate market in the region, as well as competitive large development sites.

### 1. Industrial/Warehouse

Despite significant growth in employment in the warehousing and distribution areas, the Texarkana MSA has not seen significant levels of new sales. Due to the aggressive nature of economic development activities in the region, land is provided at low or no cost to many industrial and warehouse users as an incentive for job creation. The few parcels that are marketed for industrial, warehouse or distribution development tend to be clustered in the range of $15,000 to $30,000 per acre.

In terms of space utilization, declines in manufacturing have created increased vacancy in production plants. Some former manufacturing facilities have been targeted to new uses. Similarly, declines in employment in the wholesale trade market sector have been offset by employment gains in the transportation market sector. Some of these uses have offset one another by the redeployment of existing facilities, while some others have gone vacant.

Published rental rates for industrial and warehouse properties are typically in the range of $2.00 to $3.00 per square foot per year. This equates to an approximate sale value of $20 to $30 per square foot. This is below replacement cost in most cases, and indicates a limited demand for these facilities in the regional marketplace.

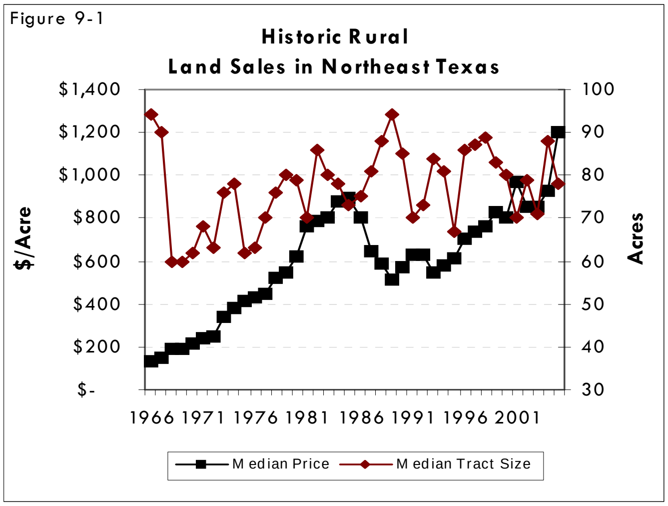
### 2. Rural Land Sales

Rural land sales information was reviewed for a multi-county region in northeast Texas. The region includes data for Bowie, Camp, Cass, Delta, Franklin, Hopkins, Lamar, Marion, Morris, Red River, Titus, Upshur and Wood counties. The Real Estate Center at Texas A&M University developed the data for rural land sales. As shown in Figure 9-1, the median tract size has been between 70 and 90 acres for most of the last 30 years.

In terms of values, the median price per acre increased steadily from 1966 through 1985. However, between 1985 and 1990, the median price declined by more than 35%. In general, price trends have been positive since 1990.

After slight increases between 1990 and 1992, prices declined again in 1993. Prices saw a significant spike in 2005, but the median price per acre has exceeded the 1985 peak of $891 per acre just three times in the past twenty years. The 20% increase in the median price per acre between 2004 and 2005 may be an anomaly. Since 1966, year-over-year growth exceeded 30% only one other time, in 1972/73.

Figure 9-1




Source: Texas A&M University

### 3. Competitive Development Sites

In order to understand whether the available land at LSAAP/RRAD-WEP has a unique value or market appeal, a search was conducted to identify large-scale industrial properties in the Southern United States. Published marketing information from a variety of real estate-related entities was the primary focus of the research, including information from real estate brokers as well as local, regional and state economic development professionals.

The primary search criteria was sites with a minimum of 1,000 acres of contiguous land, with zoning suitable for development of a large scale industrial, manufacturing and/or warehouse and distribution use. A total of 10 sites were identified in Texas and states in close proximity. Sites identified include:

- Burkburnett, Texas - A 3,450-acre tract with frontage on Interstate 44. This property is being marketed for industrial uses, but the marketing materials also indicate residential development potential, hunting lease potential and the possibility of a portion of the site being used as a working farm or ranch. The asking price is $3,200 per acre.

- Helena, Arkansas - This is a 4,000-acre property, located along the Mississippi River. A rail spur is available on the site and there is river access. However, the site is somewhat removed from Interstate access. Access to Interstate 40 is available approximately 18 miles away via U.S. Route 49. The site is served by municipal water and sewer, and there is an on-site 10-inch gas main. This property is available for $3,200 per acre.

- Marion, Arkansas - This property includes 1,750 acres, and has an asking price of $25,000 per acre. The property abuts the Union Pacific Intermodal Terminal, and is in close proximity (less than three miles) to the interchange between Interstates 40 and 55. Municipal water and sewer serve the site. Natural gas is approximately one-half mile away.

- Walnut Ridge, Arkansas - This property includes 1,750 acres, and is in the area of the Walnut Ridge Regional Airport. Access to Interstate 55 from the site is via U.S. Highway 63 to the southeast, approximately 60 miles away. The property does benefit from access to the Burlington Northern line adjacent to the property, and a Union Pacific line is six miles away. Municipal water and sewer, as well as a low-pressure gas line serve the property. The remote nature of this site is reflected in the asking price of $4,500 per acre.

- Osceola, Arkansas - This property includes 1,313 acres, and has frontage along the Mississippi River. Access to Interstate 55 is approximately six miles west. This property does not presently have on-site utilities, though the City has existing services within 1,000 feet of the site, including water, sewer and gas. While there is no port on-site, the Port of Osceola is located less than three miles to the north. Asking price is $10,000 per acre.

- Wynne, Arkansas - This property includes 1,150 acres. The property is located approximately 12 miles from Interstate 55, along U.S. Highway 1. Rail access (Union Pacific) is approximately one mile from the site. City water is available, and City sewer is just 300 feet away. Asking price is $8,000 per acre.

- West Memphis, Arkansas - This is a 1,312-acre property, located along the Mississippi River. Access to the Union Pacific line is 1.25 miles away. While this site does not have its own port facilities, it is immediately adjacent to the Port of West Memphis. Access to Interstate 40 is available approximately 5 miles away. The site is served by municipal water, but the nearest sewer line is two miles from the site. The asking price for this property is $15,000 per acre.

- Holly Ridge, Louisiana - This site includes 5,300 acres of land. The property is located on Interstate 20, at the junction with Highway 183. Marketing materials for the property identify it as "The Crown Jewel of Mega-sites". The property is owned by the State of Louisiana, and its attributes include the availability of dual rail, unlimited water availability, location within the I-20 Southern Automotive Corridor, 24" and 30" gas mains, fiber optics on-site, and a variety of state, federal and local incentives. However, no asking price is specified.

- Pryor, Oklahoma - The Mid-America Industrial Park includes more than 9,000 acres, of which 7,000 are reported to be available. The park has its own independent water treatment system (designed for 50 MGD) and its own wastewater system (6.4 MGD). Union Pacific has lines on-site, and there is a cogeneration plant for electric service. In addition, Mid-America owns and operates a regional business airport as well. Pricing was not available.

- Joplin, Missouri - This site includes 2,000 acres of developable land on the west side of Joplin, near the Kansas border. The site is served by the Burlington Northern line, and is approximately six miles from Interstate 44. Asking price is $12,000 per acre.

These sites total more than 25,000 acres of available industrial land. In addition, the large-scale warehouse and distribution sites identified in the economic portion of this report should also be considered.

a.) Locational Attributes

The LSAAP/RRAD-WEP parcels have excellent highway access, equal to sites in Burkburnett, Holly Ridge and Marion. The LSAAP/RRAD-WEP properties also enjoy good rail access, consistent with Burkburnett, Marion, Pryor and Walnut Ridge. Of the competing sites, only the Holly Ridge site is reported to have dual rail access on-site.

b.) Utilities

The majority of competing sites are reported to have utilities that are in place, to support development of the sites. Three of the ten sites evaluated require extensions for sewer lines, but all are within 2,000 feet or less of the site.

In order to evaluate the cost for utility services at competing locations, statewide data for electricity and natural gas pricing, developed by the Energy Information Administration of the U.S. Department of Energy, was reviewed. Table 9-1 provides data on the average statewide cost for natural gas for industrial users. As illustrated in the table, Texas has consistently been the lowest cost option for industrial users. Texas has a minimum 20% price advantage over the states of Arkansas, Louisiana, Missouri and Oklahoma.

**Table 9-1**
**Historic Natural Gas Costs for Industrial Users**
**(Dollars per 1,000 Cubic Feet)**

| State | 2001 | 2002 | 2003 | 2004 | 2005 | Change |
|---|---|---|---|---|---|---|
| Arkansas | $6.38 | $5.64 | $6.94 | $8.03 | $9.44 | $3.06 |
| Louisiana | $5.04 | $3.69 | $5.53 | $6.58 | $9.11 | $4.07 |
| Missouri | $7.49 | $6.01 | $7.93 | $8.80 | $10.99 | $3.50 |
| Oklahoma | $8.07 | $6.28 | $7.45 | $8.59 | $9.41 | $1.34 |
| Texas | $4.46 | $3.40 | $5.36 | $5.91 | $7.64 | $3.18 |

Source: Energy Information Administration, 2007

However, when electric rates are considered, Texas' advantage diminishes. As shown in Table 9-2, the Energy Information Administration indicates that the average price per kilowatt-hour for industrial users in Texas is substantially higher than the average cost in nearby states. Despite a slight improvement in the average price in 2006, Texas' electricity costs continued to be the highest among the states reviewed for this analysis.

**Table 9-2**
**Electricity Costs for Industrial Users**
**(Cents per Kilowatt Hour)**

| State | 2005 | 2006 |
|---|---|---|
| Arkansas | 4.86 | 5.16 |
| Louisiana | 8.70 | 6.65 |
| Missouri | 3.89 | 4.18 |
| Oklahoma | 5.13 | 4.83 |
| Texas | 8.16 | 7.57 |

Source: Energy Information Administration, 2007

c.) Workforce

In terms of labor force availability, the LSAAP/RRAD-WEP properties compete very well. Data for each county where these large development sites are located was gathered from the U.S. Bureau of Labor Statistics. As shown in Table 9-3, Bowie County has the second largest labor force among the competing sites, surpassed by only the Joplin, Missouri location.

In order to gain a better understanding of the ability of these large development sites to support major new employment opportunities, a radius analysis was completed around the primary zip code for each site, using demographic data from Claritas, a demographic service provider. Population estimates were acquired for a 10-, 20- and 30-mile radius around the primary zip code for each site. As indicated in the Table 9-4, the sites in Marion, West Memphis and Joplin offer access to a much larger population base within a 10-mile radius. The population in proximity to LSAAP/RRAD-WEP is larger than half of the competing sites. However, as the radius around the property increases, competing sites gain access to larger populations. Within a 30-mile radius, seven of the ten competing locations have a larger population base than LSAAP/RRAD-WEP.

**Table 9-3**
**Labor Force Data for Host Counties**
**Arkansas, Louisiana, Montana, Oklahoma and Texas**
**2005**

| Community | County | State | Labor Force | Employment | Unemployment | Unemployment Rate |
|---|---|---|---|---|---|---|
| Helena | Phillips | AR | 9,013 | 8,206 | 807 | 9.0% |
| Marion | Crittenden | AR | 22,765 | 21,344 | 1,421 | 6.2% |
| Osceola | Mississippi | AR | 20,486 | 18,743 | 1,743 | 8.5% |
| Walnut Ridge | Lawrence | AR | 7,648 | 7,111 | 537 | 7.0% |
| West Memphis | Crittenden | AR | 22,765 | 21,344 | 1,421 | 6.2% |
| Wynne | Cross | AR | 8,623 | 7,998 | 625 | 7.2% |
| Holly Ridge | Richland | LA | 8,603 | 7,932 | 671 | 7.8% |
| Joplin | Jasper | MO | 55,636 | 53,003 | 2,633 | 4.7% |
| Pryor | Mayes | OK | 16,933 | 16,118 | 815 | 4.8% |
| Burkburnett | Trinity | TX | 5,821 | 5,470 | 351 | 6.0% |
| LS/RR | Bowie | TX | 42,827 | 40,501 | 2,326 | 5.4% |

Source: Bureau of Labor Statistics, 2007

d.) Matrix of Competitive Facilities

In order to compare the LSAAP/RRAD-WEP site with competing facilities, a comparative matrix was developed. The matrix ranks each facility against the LSAAP/RRAD-WEP site in each category. For example, the Interstate highway access at each available site is evaluated against the Interstate highway access at LSAAP/RRAD-WEP. In those cases where the competing site is considered similar to LSAAP/RRAD-WEP, a score of 2 is indicated. In those cases where the available site is superior to LSAAP/RRAD-WEP, a score of 3 is indicated, and when the available property is inferior to LSAAP/RRAD-WEP, a score of 1 is indicated. Using this approach for each of the 10 factors shown in Table 9-5 indicates a potential ("perfect") score of 30, if the competing site was superior to LSAAP/RRAD-WEP in every aspect. A site that was similar to LSAAP/RRAD-WEP would receive a score of 2 for each factor, or a total score of 20.

**Table 9-4**
**Population Estimates within Commuting Distance**
**Arkansas, Louisiana, Montana, Oklahoma and Texas**
**2006**

| Community | State | 10 Miles | 20 Miles | 30 Miles |
|---|---|---|---|---|
| Helena | AR | 18,384 | 41,628 | 85,319 |
| Marion | AR | 72,264 | 675,095 | 1,103,135 |
| Osceola | AR | 12,568 | 67,354 | 182,597 |
| Walnut Ridge | AR | 8,802 | 129,191 | 176,918 |
| West Memphis | AR | 176,632 | 787,641 | 1,126,549 |
| Wynne | AR | 16,714 | 47,664 | 74,252 |
| Holly Ridge | LA | 11,778 | 94,790 | 214,161 |
| Joplin | MO | 100,492 | 178,730 | 261,136 |
| Pryor | OK | 26,068 | 90,425 | 227,468 |
| Burkburnett | TX | 34,331 | 134,327 | 153,067 |
| Bowie County | TX | 18,631 | 59,558 | 165,492 |

Source: Claritas, 2007

The sites in Marion, Joplin, Holly Ridge and Pryor are considered the most competitive with the LSAAP/RRAD-WEP property. The Holly Ridge property, marketed as the "Crown Jewel of Mega Sites", had the highest scores, due to excellent Interstate access, dual rail, dual gas and lower electric costs, as well as a larger population base from which to draw workers.

This chart indicates that, from a subjective view, the LSAAP/RRAD-WEP property could be competitive with other large development sites in the Southern United States. The property's large size, excellent Interstate access, and low natural gas costs are considered its strongest marketing advantages (i.e. areas where competitors scores were lowest), along with the size of the local labor force. Marketing challenges (i.e. areas where competitors scored highest) include electricity costs within the State, as well as the population base within the larger region.

**Table 9-5**
**Comparative Matrix**
**Arkansas, Louisiana, Montana, Oklahoma and Texas**

| | Helana AR | Marion AR | Osceola AR | Walnut Ridge AR | West Memphis AR | Wynne AR | Holly Ridge LA | Joplin MO | Pryor OK | Burk-burnett TX |
|---|---|---|---|---|---|---|---|---|---|---|
| Acreage | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 1 | 2 | 1 |
| Interstate Access | 1 | 2 | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 2 |
| Rail Access | 2 | 3 | 1 | 2 | 1 | 1 | 3 | 2 | 2 | 1 |
| Water Availability | 2 | 2 | 1 | 2 | 1 | 2 | 2 | 2 | 2 | 2 |
| Sewer Availability | 2 | 2 | 1 | 2 | 1 | 1 | 2 | 2 | 2 | 2 |
| Natural Gas Availability | 2 | 1 | 2 | 2 | 2 | 2 | 3 | 2 | 3 | 2 |
| Electric Costs | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2 |
| Natural Gas Costs | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 |
| Labor Force | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 3 | 1 | 1 |
| Population (30 miles) | 1 | 3 | 2 | 2 | 3 | 1 | 3 | 3 | 3 | 2 |
| **Total Score** | **16** | **19** | **14** | **17** | **15** | **14** | **22** | **20** | **20** | **17** |

Notes:
1 = Property is inferior to LSAAP/RRAD
2 = Property is similar to LSAAP/RRAD
3 = Property is superior to LSAAP/RRAD
Source: JDA Associates, 2007

## 4. Retail

The retail market in the Texarkana MSA has experienced strong growth in recent years. According to data from the Texas Comptroller's Office, retail sales in the Texarkana MSA increased by almost 25% between 2002 and 2005. This is a result of significant expansion of the retail base over the past several years, particularly "big-box" retailers, which have spurred large-scale development. Development has been strongest along the Interstate 30 corridor. Major new developments have added an estimated 2 million square feet to the retail market over the past five years. In addition, the area has also seen significant growth in related areas, such as hotel development and financial services. The Governor's Office of Economic Development and Tourism indicates that the average occupancy rate for hotels in the Texarkana MSA has exceeded the statewide average for the past two years.

The Texarkana MSA has become a major retailing center beyond the boundaries of the MSA. According to data from Claritas, the MSA had estimated consumer demand from residents of the MSA of $1.86 billion in 2006 (Table 9-6). However, Claritas estimates that total retail sales for the MSA were $1.97 billion, indicating that the region "imported" more than $112 million in retail sales dollars in 2006.

**Table 9-6**
**Retail Gap Analysis**
**Texarkana MSA**
**2006**

| Retail Stores | Demand | Supply | Opportunity |
|---|---|---|---|
| Motor Vehicle and Parts Dealers-441 | 383,203,144 | 457,160,022 | (73,956,878) |
| Furniture and Home Furnishings Stores-442 | 44,799,214 | 28,744,002 | 16,055,212 |
| Electronics and Appliance Stores-443 | 39,417,276 | 22,865,000 | 16,552,276 |
| Building Material, Garden Equip Stores -444 | 201,295,863 | 234,690,986 | (33,395,123) |
| Food and Beverage Stores-445 | 231,846,892 | 132,733,019 | 99,113,873 |
| Health and Personal Care Stores-446 | 102,362,805 | 58,887,983 | 43,474,822 |
| Gasoline Stations-447 | 209,377,298 | 232,560,985 | (23,183,687) |
| Clothing and Clothing Accessories Stores-448 | 77,212,487 | 74,373,008 | 2,839,479 |
| Sporting Goods, Hobby, Book, Music Stores-451 | 28,627,258 | 24,533,995 | 4,093,263 |
| General Merchandise Stores-452 | 221,955,217 | 343,063,015 | (121,107,798) |
| Miscellaneous Store Retailers-453 | 46,116,127 | 53,700,967 | (7,584,840) |
| Non-Store Retailers-454 | 103,510,765 | 74,792,998 | 28,717,767 |
| Foodservice and Drinking Places-722 | 171,155,121 | 235,328,000 | (64,172,879) |
| **Total Retail Sales Incl Eating and Drinking Places** | **1,860,879,467** | **1,973,433,980** | **(112,554,513)** |

Source: Claritas, Inc., 2007

The area's strong performance as a retail location has resulted in significant new development in the region, including Super Wal-Mart, Kohl's, Lowe's, Old Navy, Bed Bath & Beyond, Best Buy and Target. The interest in the region has also resulted in higher prices for land in areas within close proximity to existing retail centers. This is also true for pad sites adjacent to major anchors. In general, values are affected by proximity to major intersections, particularly those that enjoy significant visibility from an Interstate. For example, sites adjacent to Wal-Mart that are closest to the Interstate have an asking price of $10/SF ($435,000 per acre), while other parcels adjacent to Wal-Mart but further off the Interstate command just $7.50.SF, or $325,000 per acre (Table 9-7).

**Table 9-7**
**Retail Properties**
**Texarkana Area**
**2006**

| Location | Price | Acreage | Price/Acre |
|---|---|---|---|
| S. Lake Drive | $575,000 | 4.50 | $127,778 |
| U.S. 59 | $2,744,000 | 14.00 | $196,000 |
| Off U.S. 59 | $653,400 | 3.00 | $217,800 |
| Richmond Road | $410,335 | 1.57 | $261,360 |
| U.S. 59 | $561,271 | 1.72 | $326,700 |
| U.S. 59 | $910,513 | 2.79 | $326,700 |
| North Richmond Road | $581,962 | 1.67 | $348,480 |
| U.S. 59 | $404,237 | 0.93 | $435,600 |
| U.S. 59 | $604,613 | 1.39 | $435,600 |
| **Total/Average** | **$7,445,330** | **31.56** | **$235,903** |

Source: Regional Real Estate Brokers, 2007

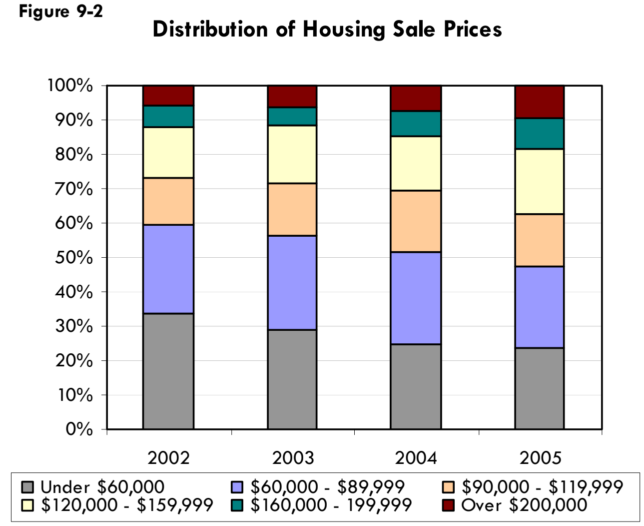
Pricing for retail sites in proximity to the City of New Boston is much lower than in Texarkana. Sites with access to and visibility from Interstate 30, in close proximity to the western border of the Red River Army Depot, have asking prices in the range of $185,000 to $215,000 per acre.

### 5. Single-Family and Multi-Family Residential

The Texarkana housing market is considered relatively affordable. A review of data from the Multiple Listing Service (MLS) indicates that the average price for a home in the Texarkana area was $115,000 in 2005. This represents an increase of more than 20% over the 2002 average price of approximately $95,000. Since 1991, the average price in Texarkana has doubled.

Figure 9-2 provides an overview of the distribution of housing sales by price range. There has been a significant increase in sales activity at the higher end of the price range. Sales of homes priced over $160,000 represented just over 12% of transactions in 2002. However, by 2005, homes priced over $160,000 represented 18.6% of transactions, an increase of more than 50% since 2002. At the lower end of the price range, homes below $60,000 represented 23.6% of sales in 2005, down from 33.9% in 2002.

Figure 9-2




Source: Texarkana Multiple Listing Service

From an affordability perspective, Texarkana still is a great place to purchase a home. Data from the Real Estate Center at Texas A&M University indicates that the median home price in Texarkana was $94,900 in 2005, which was 30% less than the statewide median, and less than half the U.S. median.

When comparing the median income of the region to the estimated cost to acquire the median priced home, Texarkana ranks very high. As shown in Table 9-8, the median income in Texarkana is more than twice the amount required to afford the median home. In contrast, the median income in the State is just 1.68 times the amount required to afford the median home.

**Table 9-8**
**Housing Affordability Indicators**
**Texarkana, Texas and the U.S.**

| Indicators | Texarkana | Texas | U.S. |
|---|---|---|---|
| Median Home Price | $94,900 | $136,500 | $206,600 |
| Income Required to Qualify for a Mortgage | $21,942 | $31,561 | $47,132 |
| Median Family Income | $45,550 | $53,000 | $58,000 |
| Affordability Index | 2.08 | 1.68 | 1.23 |

Source: Real Estate Center at Texas A&M University

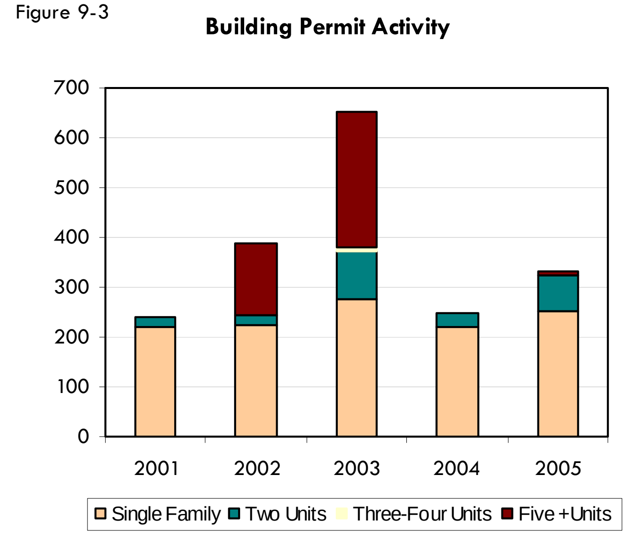
In terms of building permit activity, housing development in the Texarkana MSA has been steady, with a range of 220 to 275 single-family homes built in each of the past five years, with an average of 238 units constructed annually over the period. At the time of the 2000 Census, there were 38,200 single-family housing units in the MSA, indicating an average rate of expansion of 0.62% per year for single-family homes (Figure 9-3).

The MSA has permitted construction of 1,890 new housing units in the past five years, an average of 372 per year. An average of 48 two-family units has been built each year, and an average of 85 units in large (5+ unit) buildings. As shown in Figure 9-3, the construction of larger buildings is more sporadic than two-unit buildings.

The rate of expansion for two-unit and large (5+ unit) buildings is much higher than for single-family homes. Between 2001 and 2005, the average rate of newly permitted units was 1.8% for large buildings, as compared to the baseline from the 2000 Census. Two-unit properties were constructed at an even greater pace, an average of 3.5% of the 2000 baseline.

According to the U.S. Census, the median gross rent in the Texarkana MSA in 1990 was $345 per month. By 2000, the median had increased to $453 per month. This increase of $108 per month equates to an increase of 31%, approximately equal to the rate of inflation over the period.

Figure 9-3




Source: U.S. Census Bureau

## D. CONCLUSIONS

While the region is capturing its fair share of growth, the Northeast Texas regional economy is not likely to generate sufficient demand to drive the redevelopment of the Lone Star and Red River properties. As such, it is anticipated that the properties will be marketed to a broader universe of companies throughout the United States and internationally.

Compared with other large industrial facilities in the South, the Lone Star/Red River facility is competitively positioned due to its location, highway access, and labor force. In addition, warehouse and distribution companies have been growing steadily, which supports the RRRA's desire to create a regional distribution hub at LSAAP.

**FACTORS INFLUENCING THE ACHIEVEMENT OF BASE REUSE GOALS**

- **Job Creation & Economic Development** - The redevelopment of the LSAAP/RRAD-WEP properties is the best opportunity for the region to create new jobs and diversity the economic base.
- **Supports Military Mission –** Focusing reinvestment at LSAAP will allow the RRRA to target its economic development activities. As new private users occupy LSAAP, utility systems will be replaced and expanded, so of which could be shared with the Depot.
- **Retains Existing Job Base –** The redevelopment of LSAAP will incorporate existing companies, allowing them to continue operation at LSAAP.