Market-Based Development Trends and Opportunities

CREVE COEUR CENTRAL BUSINESS DISTRICT

Creve Coeur, Missouri

Prepared for
City of Creve Coeur, Missouri

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DEVELOPMENT STRATEGIES®
CONSULTANTS IN REAL ESTATE, ECONOMIC, AND COMMUNITY DEVELOPMENT
10 S. Broadway • St. Louis, Missouri 63102-1743 • (314) 421-2800

February 16, 2005

Mr. Matt Brandmeyer
Planning Manager
Department of Community Development
City of Creve Coeur
300 N. New Ballas Road
Creve Coeur, Missouri 63141

Dear Mr. Brandmeyer:

Development Strategies is pleased to submit this analysis of market-based development opportunities focused on the central business district of Creve Coeur. Special attention has been paid to specific prospects for the proposed town center in the CBD.

Respectfully submitted on behalf of
DEVELOPMENT STRATEGIES, INC.

Richard C. Ward, CRE, AICP, CEcD
Senior Principal

Robert M. Lewis, AICP, CEcD
Principal

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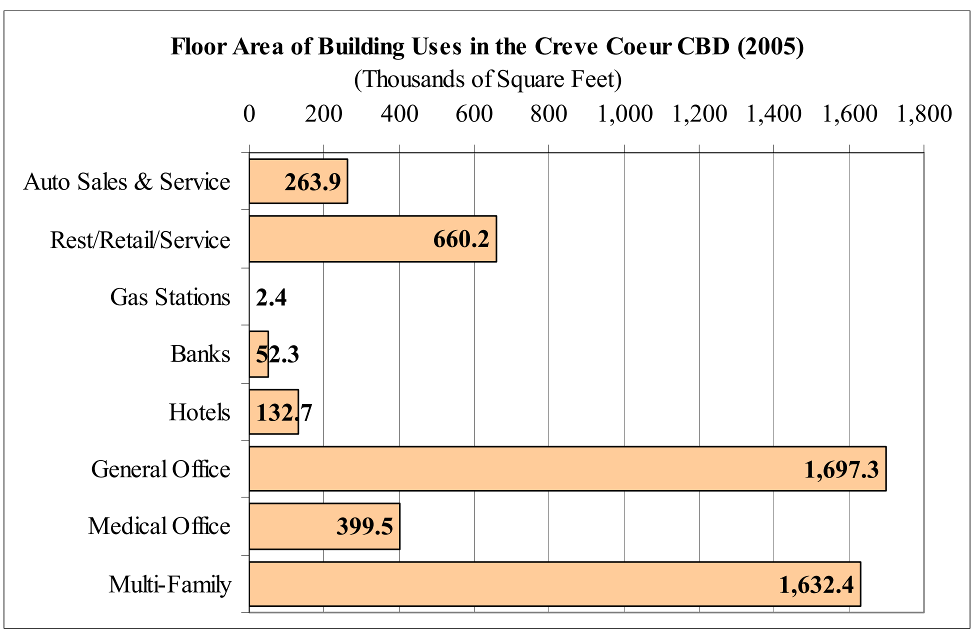
EXECUTIVE SUMMARY

Located within the most affluent core of the St. Louis metropolitan region, Creve Coeur is an established suburban community of about 16,800 residents and a daytime "population" of more than 40,000. This employment base is, by and large, the result of such employment giants as Monsanto, St. John's Mercy Medical Center, and the CBD office supply. The city's effective central business district (CBD) consists of approximately 300 acres and over 3.3 million square feet of office and commercial space, scattered residential apartments and condominiums, and park areas. This market study focuses on the development potential within the CBD over the next ten years (2005-2015) with the following goals in mind:

- Evaluation of Creve Coeur's position in the greater St. Louis regional economy.
- Identification of growth and change opportunities related to CBD land uses.
- Projection of the likely timing of real estate changes.

The CBD study area currently encompasses about 360 acres of land, excluding public rights-of-way for roads and sidewalks. There are 112 separately platted parcels of land and 110 separate buildings serving the uses shown on the following graph. These buildings include some 4.9 million square feet, the most dominant of which is general offices. When combined with medical offices, a strong image of the Creve Coeur CBD as a center of commerce emerges. With 660,000 square feet of retail space, it is even clearer that the CBD is a diverse center of economic activity in the city and region. The multifamily housing component of over 1.6 million square feet and 1,650 apartments and condominiums confirms that the CBD is a multi-functional area with many key ingredients already in place to define a downtown climate.



Moreover, the CBD is renewing itself. The average age of individual buildings in the CBD is 27 years, but the average age of a square foot of floor area is much lower at 18 years. In other words, newer and larger buildings are both adding to and replacing existing properties. Obviously, the

CityPlace offices and condos are major contributors to this trend but projects like . Downtown Creve Coeur is becoming more densely and diversely developed—and even redeveloped.

Interviews with a number of real estate professionals based both in Creve Coeur and elsewhere in the St. Louis area found primary consensus around the theme that the Creve Coeur CBD's greatest strength is its location—in terms of the Olive-I-270 interchange, in terms of its position within the most affluent sector of the region, and in terms of the high quality labor force and civic leadership that resides in the city. Interviewees acknowledge that the CBD is markedly exploiting this strength with regard to the office market but has yet to take full advantage of either the housing or retail markets.

Office Market

The office market, however, displays current signs of sluggishness that also plague most of the metro area and nation. Vacancies are relatively high in many U.S. locations, and Creve Coeur, as a submarket, suffers this malady at present with vacancies exceeding 20 percent. Two primary factors contribute to this difficulty: One is that Creve Coeur is recognized as a top office market location and has, therefore, attracted a substantial amount of new office development in recent years. The other is the lethargic U.S. job market which has been quite slow to recover from the last national recession. The combination of these factors means that Creve Coeur (not unlike downtown St. Louis and the Chesterfield area, by the way) has had a hard time achieving more acceptable office occupancy levels.

Interviews and anecdotal evidence suggest, however, that these difficulties lie mostly in the older office structures, not the newer buildings that have been able to demonstrate a greater degree of competitiveness. As the national and regional job markets continue to improve, therefore, Creve Coeur is already well positioned to capture more than its historic share of office employment, particularly if its older structures can be made more competitive in the near term economy.

The "general office" space supply in the Creve Coeur CBD is about 1.9 million square feet. Because of a vacancy rate that hovers around 20 percent, we anticipate that very little demand for more space will be created between 2005 and 2010, but that the improving job market will increase the occupancy rate to a point where additional space will be needed in subsequent years.

Thus, we project that the CBD will likely attract only about 300,000 square feet of new construction by 2010 and that about 100,000 square feet of this will replace older and dysfunctional space. That is, the next five years would see a net increase of 200,000 square feet of office space—to 2.1 million—but a dramatically reduced vacancy rate to well under ten percent.

The improved vacancy and occupancy rates will encourage more development at this strong Interstate highway location. Between 2010 and 2015, demand should encourage new construction of about 1.4 million square feet, about 500,000 of which would be replacement of older, dysfunctional space. This would be a net gain in the CBD office supply of 900,000 square feet to a total inventory of 3.0 million by the end of 2015—up from 1.9 million in 2005.

These projections, however, are based solely on apparent demand and changes in the needs of office kinds of businesses. Whether there is a sufficient supply of land on which to yield these net changes has not yet been addressed.

RETAIL MARKET

While oversupplied in office space at present, the CBD (and the city as a whole) has not created the amount of retail space that market conditions suggest it could support. There is a tremendous amount of retail buying power among the residents of Creve Coeur and immediately surrounding communities, but the city actually "leaks" a great deal of this demand to shopping concentrations in other parts of central St. Louis County such as The Galleria, Plaza Frontenac, West County Center, and Chesterfield.

Yet the city not only has strong buying power, it also attracts 2.5 times more people into the city for jobs than there are residents—a significant added amount of buying power. Interviews and a limited amount of statistical information further suggest that the city is losing the potential sales to other locations primarily because it has not created an exciting and sizeable concentration of retailing, dining, and entertainment.

The retail market analysis discussed in this report concludes that there are important missed opportunities, but that the city can markedly increase the amount of sales and square feet in the CBD. A three-stage analysis yields the following market potential for the CBD:

1. The first stage is really not a stage at all, but an indicator of the possible scale of retailing in the CBD in 2005 (i.e., today) if circumstances simply improved to where Creve Coeur captured the buying power of its residents alone. Assuming 50 percent of city wide sales are captured in the CBD and that average sales per square foot are about $325, total retail development in the CBD could be about 800,000 square feet. Current retail space in the CBD totals about 660,000 square feet.

2. The second stage spreads this opportunity over the next five years—through 2010. While hypothetical and highly dependent on market intervention strategies by the public sector, it assumes that the capture rate in the city could increase to 15 percent higher than the its "fair share" of area buying power by the year 2010. That is, Creve Coeur would become a "net attractor" of retail sales and, in doing so, average sales would increase to $375 per square foot. There is also an assumption

that a town center kind of development would be underway to change the retail environment and image of Creve Coeur.

But this increase in sales per square foot counteracts the increase in the share of market area sales so that the amount of potential square feet would be essentially the same as first stage described above. Still, it would result in some 140,000 more square feet in the CBD than exist today and municipal sales tax revenues would sharply increase.

3. The third stage increases the share of market area sales to 35% more than the share of area buying power by the year 2015 and further assumes that this market power can increase sales per square foot to $415. This means attracting more non-resident shopping and dining, including more purchases by daytime employees in the CBD. These changes combine to create potential demand for just over 850,000 square feet in the CBD, or about 190,000 more square feet than in the CBD today. Moreover, the CBD would produce 65 percent more total sales (and sales taxes) in the CBD than at present.

Again, these projections are based solely on demand opportunities and changes in configuration of the retail environment. Whether there is a sufficient supply of land on which to yield these net changes has not yet been addressed.

RESIDENTIAL

The demographics of Creve Coeur suggest greater potential demand for more multifamily housing in the CBD, particularly in condominiums. The city has a relatively high proportion of middle-aged empty-nesters in their peak earnings years—households that will fairly quickly evolve into many years of retirement lifestyles. Providing upscale housing opportunities in a CBD and town center setting can both contribute to the urban ambience of that environment and make available more of the high quality single family homes elsewhere in the city for younger families.

The city benefits twice: by attracting more and younger residents and by retaining the long time residents as key business and civic leaders. Trends throughout the nation clearly point to increasing potential demand for "new urbanism" housing in both large cities and suburban centers. Creve Coeur is well-positioned, both geographically and economically, to take advantage of and benefit from this maturing market.

Both apartments or condominiums can and will be successful in the Creve Coeur CBD, provided that the right types of products are offered and amenities in the immediate environs are improved—such as a better pedestrian environment and a wider range of retail services. But we also conclude that a condominium development is the stronger of the two approaches at this time.

1. There are about 1,650 residential units in the Creve Coeur CBD today. Market forces and supply characteristics are such that about 100 of these could be removed from the inventory by 2010 as various land uses change and as upgrades to the housing supply are initiated. At the same time, there could be construction of some 300 new units over the next five years, for a net gain of 200 and a 2010 inventory of about 1,850 in the CBD.

2. Between 2010 and 2015, the market will be more robust. This coincides with the "front edge" of key demographic changes in the Baby Boom generation that will begin retiring in this era, many of whom will be seeking alternative and less burdensome housing lifestyles. We project a net gain of about 650 housing units in the CBD consisting of the replacement of some 250 units and the new construction of about 900. The total CBD inventory at the end of 2015, therefore, would be about 2,500.

Once again, these projections are based solely on demand opportunities and changes in configuration of the residential supply. Whether there is a sufficient supply of land on which to yield these net changes has not yet been addressed.

1.0 INTRODUCTION AND BACKGROUND

Located within the core of the St. Louis metropolitan region, Creve Coeur is an established and affluent suburban community of about 16,800 residents and a daytime "population" of more than 40,000.[1] The city's effective central business district (CBD) consists of approximately 300 acres and over 3.3 million square feet of office and commercial space, scattered residential apartments and condominiums, and park areas. This area is roughly outlined in the dashed blue line on the map, below.

The area envisioned in the *Creve Coeur Comprehensive Plan* as the heart of the CBD (see solid blue outlined area on the map) consists of about 100 acres and is bounded by I-270 to the west, Old Ballas Road to the east and south, and Olive Boulevard to the north.

Although nearly built-out, Creve Coeur is experiencing redevelopment of underdeveloped and underutilized areas due, in part, to the City's strong regional image and escalating real estate values. The City is committed to preserving its established residential neighborhoods while further strengthening its sought-after retail, office, corporate, and commercial base. Creve Coeur is also recognized as a key node for technology and life sciences in the St. Louis region due to its concentration of life science, information technology, and medical facilities. These are perhaps best rep-

[1] The 1.9 million square feet of general office space in the CBD alone employs about 5,500 people, and could employ more if the poor vacancy rate be improved.

resented by the presence of the Monsanto Company's world headquarters and St. John's Mercy Medical Center (the region's second largest) in Creve Coeur.

Creve Coeur is desirous of implementing some of the recommendations outlined in the *Creve Coeur Comprehensive Plan*, which was adopted in April 2002. Later that year the City Council unanimously adopted a resolution requesting the Planning & Zoning Commission to develop and adopt a plan for the central business district. The CBD Plan is intended not simply to identify opportunities for evolution of the area, but is also to introduce creative ideas and realistic alternatives that bring together economic, social, cultural, and related elements in a way that advances Creve Coeur. The CBD Plan, therefore, will incorporate several critical areas: market feasibility (which is the focus of this report), land use capacity, traffic, urban design, and financing.

This market feasibility study is intended to help the City understand the market potential for new development in the study area. The study explores the potential evolution of a strong suburban commercial area, which lacks a true center or downtown, into an area with an appropriate mix of a variety of uses (retail, office, residential, cultural, civic and entertainment). In addition, the study addresses:

- Determination of the likely short-and long-term trade areas, as well as the different patron segments (workers, tourists, residents, and visitors) that can be served by the study area.

- Presentation of demographic data (household income, consumer expenditure potential by retail category, education levels, percent white-collar employment, age, projected growth, etc.).

- The effects of pedestrian circulation, general vehicular circulation patterns, strength of existing retail competition, proposed adjacent developments, and other relevant conditions into the analysis of consumer expenditure.

- A qualitative opinion as to whether or not development/redevelopment is supportable in the study area, the types of uses that would be most successful, and an analysis of potential city tax revenue generated by the new development.

- Analysis of which uses currently face excessive competition, thereby making them susceptible to failure, as well as those that show a void in competition and can therefore support additional development.

2.0 Demographic and Economic Conditions

The Creve Coeur Economic Development Commission authorized *An Economic and Fiscal Impact Analysis* in early 2003[2] to evaluate trends in the City's tax base and several scenarios on how the tax base might be improved. The demographic analysis contained in that report is essential to its findings; it is also pertinent to the market analysis for the CBD and, so, is essentially repeated here, with edits by Development Strategies to reflect emphasis on the CBD plan. Readers are directed to that report for more detailed tables.

2.1 Population and Households

The City of Creve Coeur is an affluent community with a significant business presence. According to the 2000 Census, Creve Coeur was home to 16,500 persons (estimated 16,800 in 2004) with a median household income of some $75,000 (1999, from the 2000 Census) while the median *family* income was $99,100. Population growth represented a 34.1% increase between 1990 and 2000 (See Table 1.1), indicating both a strong demand for living in Creve Coeur and an annexation of approximately 1,500 households in 1995. Households, meanwhile, increased almost 37%, resulting in a slightly smaller average household size in 2000 than in 1990.

Table 2.1 Creve Coeur Demographics

	1990		2000		Percent Change, 1990-2000
	Number	Percent	Number	Percent	
Households	**5,061**	**100%**	**6,931**	**100%**	**36.9%**
Family Households	3,449	68%	4,439	64%	28.7%
Married Couple Families	2,857	56%	4,042	58%	41.5%
With own children under 18	966	19%	1,639	24%	69.7%
Without own children under 18	1,891	37%	2,403	35%	27.1%
Non-Married Couple Families	592	12%	397	6%	-32.9%
Nonfamily Households	1,612	32%	2,492	36%	54.6%
Population	**12,304**		**16,500**		**34.1%**
Average Household Size (persons)	2.43		2.38		-2.1%
Median Age (years)	41.5		43.1		
Median Household Income					
Creve Coeur			$75,000	149%	of County
				165%	of metro area
St. Louis County			$50,500		
St. Louis Metro (MO side only)			$45,400		

Source: U.S. Census 2000

Family and married couple households represented 64% and 58.3% respectively of all households in 2000, which was a small decrease in percentage for married couple families, but a slight increase in percentage for those with children. Almost a third of Creve Coeur households (31%) in

[2] Metropolitan Information and Data Analysis Services, Public Policy Research Center, University of Missouri – Saint Louis. *An Economic and Fiscal Impact Analysis of the City of Creve Coeur.* Prepared for the Creve Coeur Economic Development Commission, March 2004.

2000 consisted of just a single person (considered a non-family household) while well over a third (37%) consisted of just two people. Just under a third (32%), therefore, had three or more residents.

Interestingly, these proportions were not much different in 2000 as they were in 1990; notably, larger households of three or more people made up 32% at both ends of the decade. In other words, Creve Coeur has a significant history as a place for small households despite a reputation as a suburb of large homes and lots.

This suggests that more housing opportunities for smaller households in *smaller* homes or in more dense settings (i.e., more housing per acre) may be a substantial opportunity for the CBD. The city might then be able to attract and retain smaller but highly affluent households while offering many existing residents the opportunity to remain in the city but without having the demands of a large home. More of those homes, therefore, might be placed on the market for larger families. Such an opportunity is reinforced by the age composition of the city. Almost half of the 2000 population (47.1%) was 45 years or older in 2000, up from 44.7% in 1990, while the median age of the city climbed from 41.5 years to 43.1 years. By comparison, St. Louis County's median age in 2000 was 37.5 years and the metropolitan area (Missouri side only) had a median age of 36.0 years.

A smaller percentage of St. Louis County residents was 45 or over in 2000—37.5%--while 34.8% were 45 or older in the metro area. A relatively older population in Creve Coeur coupled with smaller household sizes points to opportunities for well-appointed but denser and smaller housing units catering to empty nesters and other small households, the members of which will still be predominantly in the labor force in their peak earning years.

Annual incomes also imply opportunities for Creve Coeur housing and retailing in the CBD that are exceptionally above average. With a median household income of $75,000 in 1999 (2000 Census), Creve Coeur was 49% higher than St. Louis County and 65% higher than the Missouri side of the metropolitan area.

The number of households (which is an occupied housing unit with one or more residents) in the primary market area in 2000 was 32,260 according to the Census, representing a 5.0 percent increase from 1990. Given the corresponding drop in total population during the same time period, there continues to be a shift toward smaller household sizes.

The growth in households continued through 2004, up 2.4 percent to 33,050, and is projected to continue through 2009 at a rate of 2.7 percent and reach 33,950. These growth rates since 2000 are closely in line with the region as a whole, but exceed household growth rates for St. Louis County alone.

The number of housing units in the primary market area is expected to increase from the 2000 total of 33,760 to a projected 35,550 in 2009. Between 2000 and 2004, the change in the number of housing units represented a 2.5 percent increase and is projected to increase another 2.8 percent between 2004 and 2009. St. Louis County's housing units grew 1.1 percent between 2000 and 2004, with a 1.3 percent increase projected between 2004 and 2009.

2.2 Economy of Creve Coeur

A further look at education attainment and occupations of the Creve Coeur population reveals a community of highly educated persons in primarily managerial, professional, and specialty occupations which are most often linked to business and civic leadership. Approximately 65% of the population over the age of 25 in 2000 had a bachelor or advanced degree, compared to 45% for all of St. Louis County. Likewise, almost two thirds (62%) were engaged in managerial, professional, and specialty occupations—compared to 42% in the entire County.

Based on information contained in the *Economic and Fiscal Impact* study by the University of Missouri- St. Louis for Creve Coeur, the city had 2,172 businesses in 2003 and an estimated daytime population of 40,758 (See Table 2.2). A wide range of company sizes are presented, with the likes of St. John's Medical Center and Monsanto on one end of the spectrum and another 70% of all companies on the other end of the spectrum having nine (9) employees or less.

Table 2.2 Creve Coeur Business Establishments by Employment Size, 2003

Employment Range (Jobs)	Number of Establishments	Percent of Total
1-4	1,013	46.6%
5-9	522	24.0%
10-19	253	11.6%
20-49	212	9.8%
50-99	97	4.5%
100-249	49	2.3%
250-499	9	0.4%
500-999	2	0.1%
1,000-4999	3	0.1%
5,000 +	1	0.0%
Not Classified	11	0.5%
TOTAL	**2,172**	**100.0%**

Source: Metropolitan Information and Data Analysis Services, Public Policy Research Center, University of Missouri-St. Louis

Nearly half (1,013 or 46.6%) of all companies are in the 1-4 employee range suggesting high levels of self-employment and small specialty professions. Typically about 35% of the companies with 1-4 employees are self-employed. Another quarter (24% or 522 establishments) of all business establishments are small business operations that cover a wide range of commercial and professional enterprises.

Overall, this general breakdown provides a picture of general business diversity, as well as slightly higher than average proportions of companies with nine (9) or fewer employees, the regional economy having approximately 35%.

The data presented on Table 2.3 show the breakdown of businesses in Creve Coeur by industry or sector. Under the new North American Industrial Classification System (NAICS), companies are classified by production process or service and this breakdown provides a picture of the dominance of some sectors in terms of the number of business establishments and employment. Creve Coeur has large numbers of establishments (i.e., individual firms or other business organizations) in Health Care and Social Assistance (418 or 19.2%), Professional, Scientific and Technical Services (306 or 14.1%), Finance and Insurance (280 or 12.9%) and Retail Trade (229 or 10.5%). Collectively, these four sectors make up over half (56.8%) of all businesses in Creve

Coeur. Likewise, there are 22,827 workers engaged in these sectors that represent over half (56.0%) of the 40,758 persons employed in Creve Coeur.

The first of these four sectors—health care and social assistance—suggests continued opportunities for, say, medical office buildings and other outpatient kinds of facilities in the CBD area that cater to the medical market.

Table 2.3 Creve Coeur Business and Employment Structure by Industry, 2003

NAICS Code*	Description	Establish-ments in the City	Em-ployment	Percent of Estabs.	Percent of Jobs
11	Agric, Forestry, Fishing, Hunting	-	-	0.0%	0.0%
21	Mining	1	150	0.0%	0.4%
22	Utilities	1	70	0.0%	0.2%
23	Construction	75	967	3.5%	2.4%
31-33	Manufacturing	42	3,298	1.9%	8.1%
42	Wholesale Trade	97	2,315	4.5%	5.7%
44-45	Retail Trade	229	3,800	10.5%	9.3%
48-49	Transportation & Warehousing	10	191	0.5%	0.5%
51	Information	76	826	3.5%	2.0%
52	Finance & Insurance	280	4,832	12.9%	11.9%
53	Real Estate & Rental & Leasing	99	779	4.6%	1.9%
54	Professional, Scientific & Technical Services	306	3,494	14.1%	8.6%
55	Management of Companies and Enterprises	3	27	0.1%	0.1%
56	Administrative Support and Waste Management	112	1,180	5.2%	2.9%
61	Educational Services	50	1,684	2.3%	4.1%
62	Health Care & Social Assistance	418	10,701	19.2%	26.3%
71	Arts, Entertainment, & Recreation	24	206	1.1%	0.5%
72	Accommodation & Food Services	76	2,058	3.5%	5.0%
81	Other Services (exc. Public Administration	168	1,519	7.7%	3.7%
92	Public Administration	14	731	0.6%	1.8%
None	No Industry Classification	91	1,930	4.2%	4.7%
TOTAL		**2,172**	**40,758**	**100%**	**100%**

* North American Industrial Classification System

Source: Metropolitan Information and Data Analysis Services, Public Policy Research Center, University of Missouri-St. Louis.

The second and third noted sectors—professionals and finance—are heavily concentrated in general office buildings. Moreover, the key leadership occupations in these sectors likely match the major occupations and skills of the Creve Coeur labor force. These positions tend also to be those that make the decisions on business location, so targeting them and their sectors for location in the CBD may be a viable economic development strategy.

The retail sector, as noted, is also strong in Creve Coeur. Certainly, a CBD should have a wide range of retailing businesses (including eating and drinking places), so this acknowledgement of the scale of retailing in the city reinforces opportunity for the CBD.

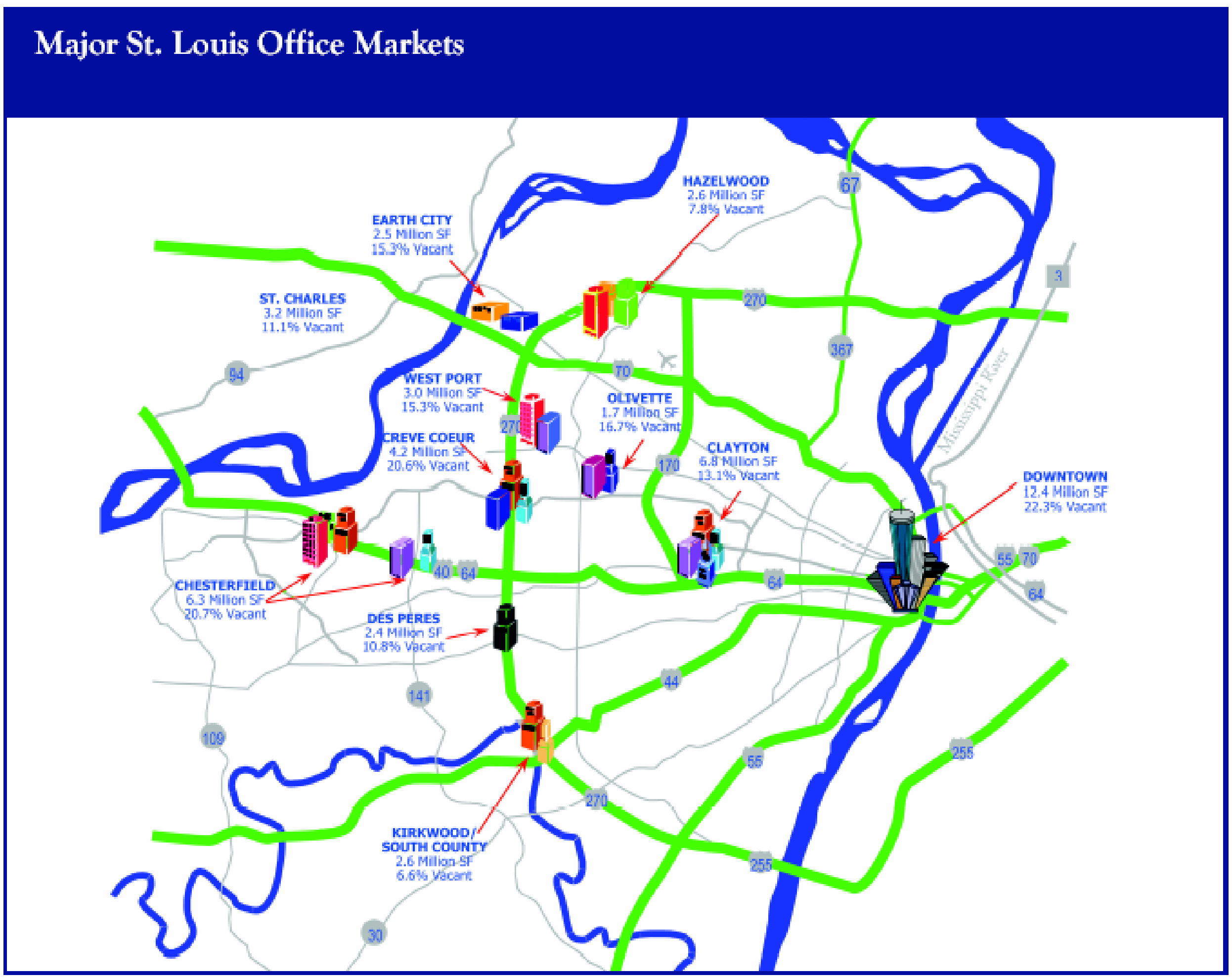
This overview of Creve Coeur's dominant demographic and economic characteristics provides a general picture of the context in which to evaluate a range of possible land uses in the CBD. The analysis turns now to the major land uses for office buildings, retail stores, and housing.

3.0 Office Market Trends, Forces, & Opportunities

3.1 Regional Office Market Conditions

Of eleven office submarkets in Metro West St. Louis tracked by the St. Louis real estate brokerage Colliers Turley Martin Tucker (CTMT), the greater Creve Coeur submarket has the fourth largest amount of office space. The tracked space consists of buildings that are not 100 percent owner occupied and are made available to the general market. Most medical and government office space, therefore, is not tracked nor are buildings that are wholly owned and occupied by a single entity. For instance, the HBE building and the Monsanto campus are not part of the tracked inventory nor is Creve Coeur City Hall.

The map shows the market areas tracked by CTMT with the inventory and vacancy rates for the second quarter of 2004. The total inventory for the eleven submarkets was 47.7 million square feet as of mid-2004. The overall vacancy rate was 16.6 percent for a vacant inventory of about 7.9 million square feet.



Creve Coeur's share was 4.2 million square feet, of which about 900,000 was vacant for a 20.6 percent vacancy rate. About 1.9 million of those square feet are in the CBD planning area, though a vacancy rate for the CBD is unknown.[3] It is also fair to note that Creve Coeur probably has the third highest inventory of relatively concentrated office space, behind Downtown St. Louis and Clayton. Much of the Chesterfield inventory is spread over a larger geographic area while Creve Coeur has a more focused supply in the Olive-Ballas-I-270 area.

Major St. Louis Office Markets: Millions of Square Feet

	2004 Q2			2003 Q4		
Submarket	Inventory	Vacant	Vacancy Rate	Inventory	Vacant	Vacancy Rate
Downtown St. Louis	12.4	2.8	22.3%	12.4	2.8	22.5%
Clayton	6.8	0.9	13.1%	6.8	0.9	13.9%
Chesterfield	6.3	1.3	20.7%	6.3	1.3	21.1%
Creve Coeur	4.2	0.9	20.6%	4.2	0.8	18.8%
Des Peres	2.4	0.3	10.8%	2.4	0.3	10.6%
Kirkwood/South County	2.6	0.2	6.6%	2.6	0.3	10.2%
Olivette	1.7	0.3	16.7%	1.7	0.3	17.2%
Westport	3.0	0.5	15.3%	3.0	0.6	19.4%
St. Charles	3.2	0.4	11.1%	3.3	0.3	10.4%
Earth City	2.5	0.4	15.3%	2.5	0.4	14.8%
Hazelwood	2.6	0.2	7.8%	2.6	0.2	7.5%
TOTAL	**47.7**	**8.2**	**17.2%**	**47.8**	**8.2**	**17.2%**

Source: Colliers Turley Martin Tucker

Another St. Louis area real estate broker in the office market from which inventory data were obtained is Grubb & Ellis-Krombach Partners (GEKP). The inventory it tracks in the same Metro West area was 45.5 million square feet at the end of 2004 with a vacancy rate of 18.9 percent, very similar numbers to CTMT. GEKP's year-end data also show that these combined markets had a negative net absorption rate during 2004 of just over 550,000 square feet. That is, there were 550,000 fewer occupied square feet in the office market at the end of 2004 than at the end of 2003.

The Creve Coeur market, in GEKP's inventory, also has 4.2 million square feet but showed a 22.4 percent vacancy rate at the end of 2004 (higher than CTMT's) and a negative net absorption of 123,000 square feet. GEKP's overall *suburban* vacancy rate was lower at 15.6 percent than its *CBD* vacancy rate (in this case, just Downtown St. Louis) of 27.7 percent. Comparing the suburban (including Clayton) rate to the table, above, Creve Coeur and Chesterfield are also leaders in vacant space while also being the largest market suppliers of space outside of Downtown.

[3] An inventory of space by land use obtained from City officials indicates that about 2.4 million square feet of office space is in the CBD. Development Strategies reduced this by 500,000, however, to remove medical and government office space so that the remaining 1.9 million square feet is more comparable to the CTMT data.

All this information points to a sluggish, weak office market in greater St. Louis. But St. Louis is not alone. The weaknesses are found throughout North America[4] and, in fact, St. Louis is relatively strong compared to many markets. Using Summer 2004 data from GEKP, the overall North American vacancy rate was just under 18 percent. Suburban St. Louis had a 16.1 percent vacancy rate which was just above the median for 63 metro office markets tracked in North America. The highest suburban rates were in the San Francisco and Dallas (27.6 percent and 25.6 percent, respectively) while the lowest were in Edmonton (9.0 percent) and Bakersfield (9.1 percent). The suburban areas of Minneapolis, Oakland, Montreal, and Washington were all in the same range of vacancies as suburban St. Louis.

3.2 Office Occupancy Growth Potential

What will it take for greater St. Louis to reach a vacancy rate that effectively represents a "full employment" market? First, it is important define a *full employment market* as one where the vacancy rate reaches a point where office developers begin to consider significant additions to the supply. A rule of thumb is a vacancy of about 8.0 percent, although developers with long term visions are always identifying possible sites and opportunities. But for the sake of planning, an 8.0 percent vacancy rate will be set as a target.[5] To reach this point in Creve Coeur, assuming no change in the total inventory, would require a reduction in the vacant inventory to 340,000 square feet, or about 560,000 fewer vacant square feet than today.

In the eleven St. Louis area submarkets identified above, an 8.0 percent vacancy rate would require a reduction in the vacant inventory by about 4.4 million square feet (Creve Coeur would be 13 percent of this.

A rule of thumb in the private office market is that the typical office configuration averages about 280 square feet per employee, including not only that employee's work station but also the common areas of both the building and the tenant's space, conference rooms, and the like.[6]

- Thus, to occupy 4.4 million more square feet in the eleven submarkets would require an increase in employment of about 15,700 jobs (4.4 million s.f. ÷ 280 s.f. per employee).
- In the Creve Coeur market, office jobs would have to increase by about 2,000 to achieve a "full employment" vacancy rate (560,000 s.f. ÷ 280 s.f. per employee).
- For the nine submarkets making up St. Louis County (15.6 percent vacancy rate in the previous CTMT table), about 8,700 more office jobs would have to be added, including the 2,000 in

[4] Grubb & Ellis's inventory encompasses 63 metropolitan markets including Edmonton, Calgary, Toronto, Montreal, and Vancouver in Canada. No Mexican markets are shown, however.

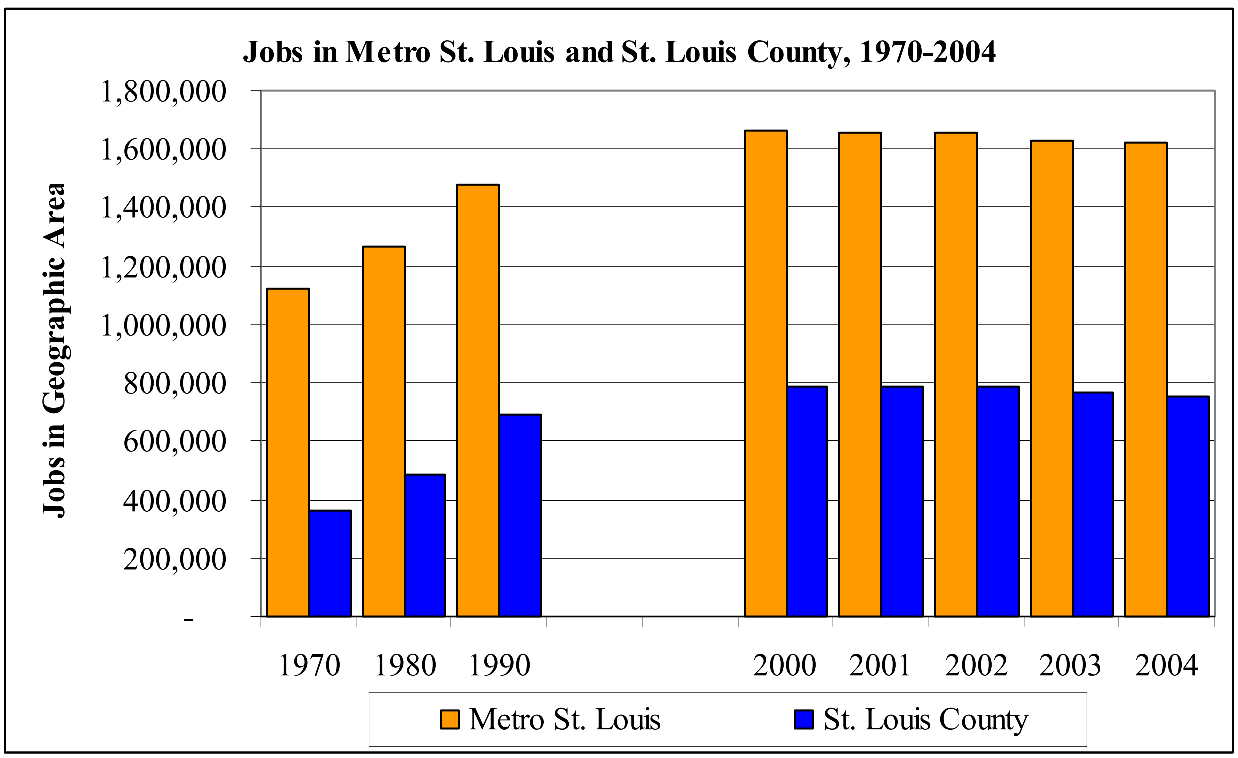
[5] This ignores the possibility of development of "better and newer" buildings to replace older, obsolete buildings. If a new building simply replaces an old one so that employment does not change, the office supply will also remain unchanged, although the market's competitive and qualitative characteristics would likely improve.

[6] *Planner's Estimating Guide: Projecting Land-Use and Facility Needs*, published by the American Planning Association, 2004.

Creve Coeur. In effect, the Creve Coeur submarket makes up about 23 percent of St. Louis County's office market "shortfall" in employment or its current oversupply of space.

One more rule of thumb: Of all the employment in a metropolitan market, about 45 percent is based in offices and about two-thirds of these are in the kinds of office structures under consideration here—that is, "speculative" buildings, not government or single-occupant buildings.[7] In St. Louis County, therefore, the needed 8,700 office jobs would represent about 30 percent of the overall job growth needed in the County (⅔ x 45 percent). So total job growth in St. Louis County would have to be in the range of 29,000. Assuming St. Louis County can add such numbers to its overall employment, and Creve Coeur captures its "fair share," then the Creve Coeur office market should reach a healthier equilibrium.

It is appropriate, then, to address St. Louis County's job market trends. As illustrated below, growth in employment both within the metropolitan area and St. Louis County as a portion of the metro area was generally the norm between 1970 and 2000.[8] Indeed, the County has been relatively more growth oriented, increasing its share of the metro area's jobs from 32 percent in 1970 to 47 percent today. With increasing land restrictions in St. Louis County and labor force growth in other counties (notably St. Charles, but also Jefferson and Madison), St. Louis County is likely to be progressively more challenged to maintain its growth rate and its share of the region's jobs.



[7] Based on a Development Strategies analysis of a very small amount of survey information from various sources.

[8] Greater detail on an annual basis would confirm this generality, but would also show slight dips in job counts during national recession periods. In all cases, except the recovery from the most recent recession, both the region and the county have returned to net growth over time.

The graph includes *all* jobs in the metro area and St. Louis County, including those considered wage and salary jobs plus those that are not, such as for sole proprietors. Moreover, it includes part time as well as full time jobs.

The recession of the early 2000s triggered something of an anomaly in terms of local and national job recovery. Some three years after the official end of the recession, most of the nation—including greater St. Louis—has not added jobs as quickly as in similar periods after previous recessions. Indeed, as the previous graph shows, there are about 41,600 fewer jobs in the metro area in 2004 than in 2000, with about 32,000 fewer in St. Louis County alone.[9] Interestingly, if the County recovered just those 32,000 jobs to reach its 2000 peak, the vacant office supply would be effectively full, keeping in mind the previous estimate that 29,000 more jobs are needed in the County to achieve a "normal" office vacancy rate.

While there are qualitative questions surrounding many of the data sources for job counts in the two most recent years, there is consensus that job growth in St. Louis County has been slightly negative (total metropolitan growth, on the other hand, has probably been slightly positive according to recent estimates by the State of Missouri and the St. Louis Regional Chamber & Growth Association). The issue for Creve Coeur relates to growth trends in the County and region and how that converts to office market growth.

At a continued downward trend in jobs in St. Louis County, of course, the market for office space would only worsen. This is an affliction, of course, with which the City of St. Louis has been wrestling for several decades and could—under unfavorable conditions—affect older and increasingly obsolete submarkets elsewhere in the region.

On the other hand, reinvestment in office buildings and the supporting infrastructure in almost any submarket contributes to net growth potential in those markets. St. Louis County will remain the leader among the region's counties in terms of total jobs for a long, long time assuming continued aggressive and targeted reinvestment and economic development initiatives that are the goals of County government and many municipalities.

Indeed, as noted, there are some 32,000 fewer jobs in the County today than in the year 2000, so there is still ample capacity for net growth. But using trends of the past few years, Development Strategies estimates that three to four years of County-wide job growth may be needed to reach a healthy office vacancy rate, although recent nationwide trends suggest that jobs are finally being added at an increasing rate.[10]

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[9] This is not to say that St. Louis County is fully responsible for three quarters of the region's decline. The data available from federal and state sources is not that accurate. But data do confirm that job losses in the County and even more so in the City of St. Louis are partially offset by job gains primarily in St. Charles County. This analysis, by the way, varies from recent press reports on the robust job creation going on in the St. Louis metro area where the region has ranked in the top five metros for absolute job growth during the latter half of 2004. There is much dispute over the sources and quality of this information.

[10] Non-farm payroll jobs in the national as a whole hit a new peak in January 2005, totaling 132,573,000. The labor market needed 47 months after its prior peak in February 2001 to recover the 2.7 million jobs lost during and after the 2001 recession. Following the 1991 and 1981-82 recessions, the labor market established new peaks in 32 and 28

Interviews with Creve Coeur CBD property owners and with regional real estate developers involved with growth in Creve Coeur point out another important issue related to the office market. While the CBD study area has over two million square feet of office space, a great deal of it—concentrated in Creve Coeur Executive Office Park—is increasingly out of date in terms of scale and amenities as well as age. Virtually all of this space is considered "Class B" in the parlance of the office market. A significant opportunity may exist, therefore, to upgrade the Executive Office Park in terms of major renovations or even replacement of buildings.

The impressive addition of the City Place buildings, on the other hand, and the expansion of development along I-270 south of Olive Boulevard are raising the office supply standards and expectations in Creve Coeur. These are "Class A" buildings in the regional office market, which actually makes Creve Coeur more competitive with the likes of Clayton and Chesterfield.

Indeed, all indications are that City Place is effectively full (very low vacancy rate) because it is able to offer competitive rents for contemporary office designs, not the least of which are higher floors with views. Thus, Creve Coeur is already able to capture a large part of the "Class A" office tenancy and, based on both this performance and the attitude of the regional developers, the city is well positioned to capture more office employment if there are opportunities for growth and replacement.

Projections for development in the CBD, therefore, suggest the following scenario:

1. There are currently about 1.9 million square feet of office space in the CBD. Because of the time needed to occupy the substantial amount of vacant space—which is, in turn, dependent on growth in the job market—we anticipate that only about 300,000 square feet of new office space will be created in the CBD by 2010. But the market is also likely to "subtract" about 100,000 from the inventory because of a weak market in the next few years and to weed out older and dysfunctional space. Net growth over the 2005 to 2010 period, therefore, will likely be about 200,000 square feet, for a total inventory of some 2.1 million square feet.

2. With the job market having filled the current space overhang by 2010, much more net new construction will be encouraged by 2015. The market is likely to removed around 500,000 square feet of dysfunctional space to better take advantage of improved market conditions and the superior location of Creve Coeur. It will also add another 1.4 million square feet, for a 2015 inventory of about 3.0 million square feet in the CBD.

These projections, at present, ignore any limitations on land availability or acceptable densities. These are market-based projections that can play out if sufficient real estate is available. If land and regulatory constraints are such that sufficient area cannot be created through, say, land assembly or more efficient use of property, these projections are not likely to be realized.

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months, respectively. Strong labor productivity and employer reluctance to hire has kept job creation sluggish in recent years. Consensus among economists indicates that the national economy will generate another 2.0 to 2.5 million net new jobs in 2005, a moderate pace that would prevent interest rates from overheating. Since the St. Louis metropolitan economy accounts for one percent of the nation's jobs, this suggests net growth of about 20,000 to 25,000 jobs in the St. Louis area during 2005. St. Louis County's "share" would be in the range of 8,000 to 10,000.

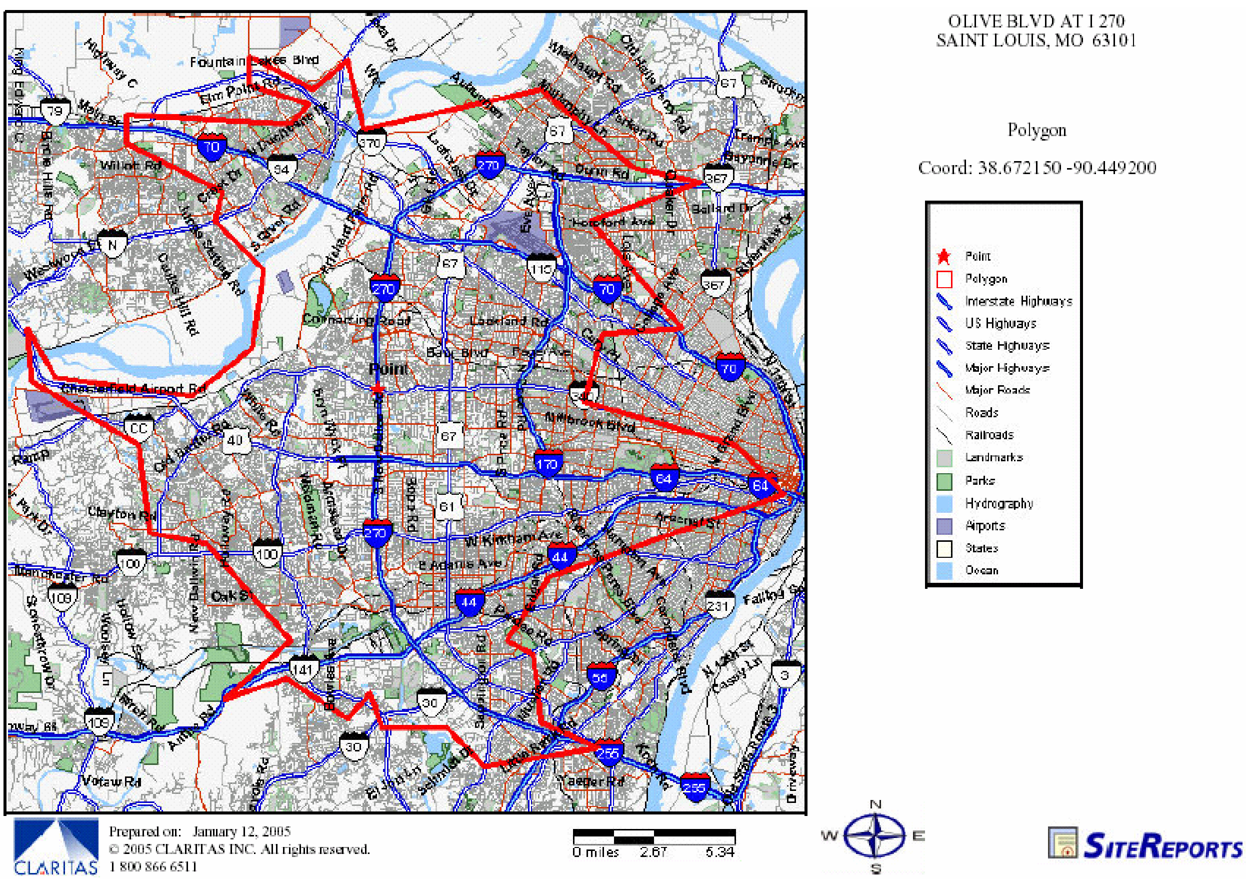
In sum, now is the time to be positioning the Creve Coeur CBD office market to capture a large share of future job growth in the County and metropolitan area. Some of the existing office facilities, however, may not be adequately competitive, which may stymie attempts to enhance the CBD—especially given ongoing and aggressive development in places like Clayton and Chesterfield. Thus, the opportunities are not only to create sites and encourage more office space, but also to promote revitalization and redevelopment of existing space.

4.0 Retail Market Trends, Forces, & Opportunities

4.1 The Effective Market Area Around Creve Coeur

The market area selected for analysis is defined by a 15-minute drive time from the intersection of Olive Boulevard and Interstate 270. Development Strategies obtained an estimated drive time map from Claritas, Inc., as illustrated below. This drive time area encompasses all of central St. Louis County and substantial parts of the remainder of west, north, and south County. Much of the city of St. Charles is also encompassed by this market area as is a large portion of the central corridor of the city of St. Louis.

The market area had an estimated population in 2004 of 728,200 but Claritas projects that population will decline 0.6 percent to 723,700 by 2009. This projection is consistent with other information sources that illustrate population trends in central St. Louis County. The 2004 population represented 26.6 percent of the entire metropolitan area population of almost 2.74 million. The metro area, however, is projected to grow another two to four percent over the next five years while the 15-minute market area would experience small population declines.



Median household income in the market area, on the other hand, is projected to increase from about $51,700 in 2004 to $57,100 in 2009, a growth rate of 10.4 percent. This is about equivalent to the likely rate of inflation over those five years. Median household income in 2004 in the 15-

minute market area as a whole was slightly higher (1.05 times) than the metropolitan median income.

A population of 728,200 and almost 308,000 households generate substantial aggregate income and, by extension, retail buying power. Aggregate income in 2004 was $22.74 billion, with the projection for 2009 to be almost $25.30 billion. These figures translate to an average *effective buying income* (EBI) of about $58,660 per household (median of $42,420) in 2004, or $18.06 billion in aggregate EBI. Claritas estimates that this yields just under $12.20 billion in sales potential for retail and related stores in the 15-minute market area generated solely by the resident market.

But these *potential* sales of $12.20 billion in a single year are only about three quarters of *actual* retail sales in stores within the 15-minute market area, which are estimated to be $16.24 billion. The difference of some $4.04 billion indicates "net attraction" of potential sales from households located outside the market area and, therefore, suggests (1) that the market area is a substantial focus of retailing for the metro area and (2) that adding more retail space to the market area will require even more net attraction power unless new space simply replaces existing space.

As shown on the following table and graph, this net attraction of sales is not evenly distributed over the eleven major retailing sectors listed. Indeed, eight of the sectors are, effectively, attracting *more* sales into the market area than the residential buying power of the market area could support on its own. These sectors are identified by the negative "leakage" amounts.

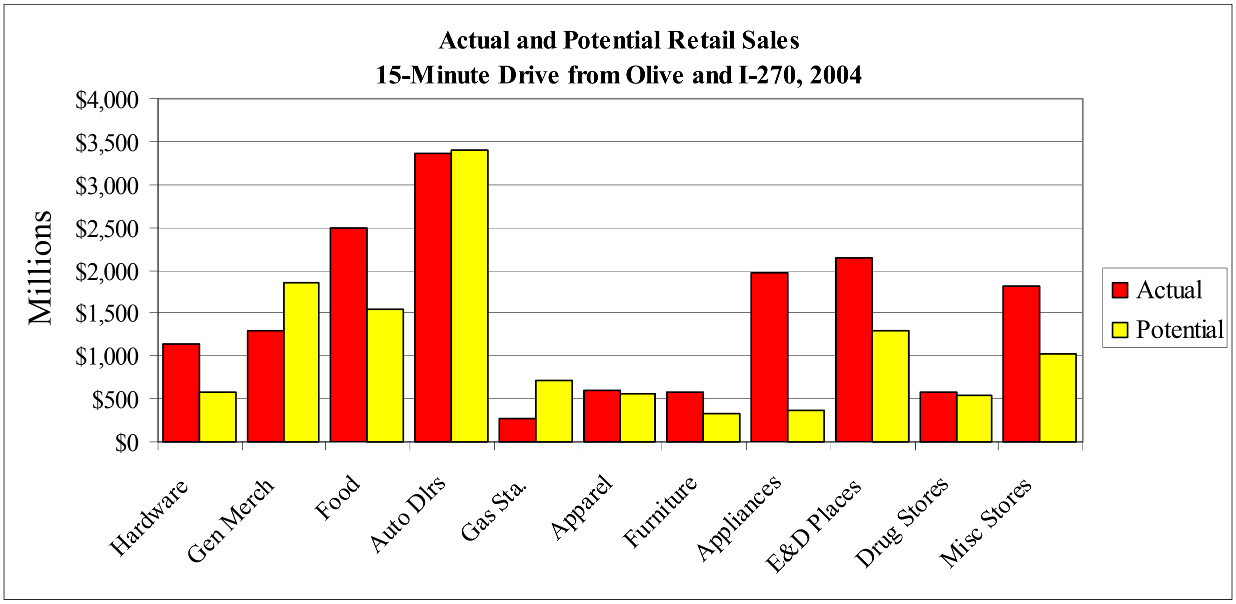
The other three sectors show varying amounts of net "leakage" and, therefore, can be pegged as sectors where retail development could most readily be absorbed within the market area. The largest share of this apparent development opportunity is generated within the *general merchandise* sector which most often includes "big box department stores" as well as more traditional department stores.

Likewise, *gasoline service stations* are under-supplied in the market area to a rather large extent. The third net leakage sector is *auto dealers*, but that gap is not large.

Table 4-1: Retail Sales Potential and Leakage, 2004

15-Minute Drive Time from Olive Blvd. & I-270		Annual Sales (millions)			Development Potential	
SIC Code	SIC Title	Actual	Potential	Leakage	$ per sq. ft.	Square Feet
52	Building Materials & Garden Supply Stores	$ 1,139.0	$ 578.1	$ (560.90)	$ 365	(1,537,500)
53	General Merchandise Stores	1,290.5	1,847.3	556.8	512	1,087,500
54	Food Stores	2,496.8	1,554.9	(941.9)	499	(1,886,800)
55 (x 554)	Auto & Related Dealers	3,369.3	3,397.2	27.9	672	41,500
554	Gasoline Service Stations	263.1	707.7	444.6	1,664	267,200
56	Apparel & Accessory Stores	600.9	561.4	(39.5)	367	(107,600)
571	Home Furniture & Furnishings Stores	581.1	337.6	(243.5)	513	(474,300)
572-573	Appliances & Electronics	1,971.2	359.8	(1,611.4)	498	(3,236,000)
58	Eating & Drinking Places	2,139.3	1,289.5	(849.8)	444	(1,913,200)
591	Drug Stores	576.6	532.7	(43.9)	406	(108,200)
59 (x 591)	Miscellaneous Retail Stores	1,814.8	1,030.8	(784.0)	173	(4,527,200)
TOTAL		**$ 16,242.6**	**$ 12,197.0**	**$ (4,045.6)**	**$ 326**	**(12,394,600)**

Sources: Claritas, U.S. Census, U.S. Consumer Expenditure Survey, Development Strategies.



4.2 Creve Coeur's Share of Retail Sales

Table 4-2 shows the breakdown of retail sales in the city of Creve Coeur itself in constant 2004 dollar values (i.e., controlled for inflation). Retail sales in the City of Creve Coeur were approximately $619 million 2003, or about 3.8% of sales in the entire 15-minute market area.[11]

Meanwhile, Creve Coeur's *estimated buying income* (EBI), as determined from overall personal income and business sales potential, made up about 4.2% of the EBI in the entire 15-minute market area. This difference suggests that Creve Coeur is not attracting its "fair share" of retail sales; indeed, on a net basis, the buying power of Creve Coeur is being partially "leaked" to other parts of the 15-minute market area.

This market area, of course, is dominated by large shopping centers such as The Saint Louis Galleria, Northwest Plaza, Chesterfield Mall, West County Center, Plaza Frontenac, and the like. Creve Coeur really has no such concentration of large-scale shopping. Nevertheless, the 2003 sales in Creve Coeur represented a 13.5% *real* increase from 1997 (inflation adjusted) and are projected to rise by another 9.9% by 2008.[12]

In 2003, the five largest retail sales categories in the city were motor vehicles, clothing and accessories, general merchandise, food and beverage, and food services. As a proportion of all retail sales, motor vehicle sales represented three out of every ten dollars (30.3%) spent on sales taxable goods or services in the city. Collectively, the sales generated in these top five categories, repre-

[11] This is not necessarily entirely true, but it is likely to be very close. Data obtained for the City is based on sales taxable transactions, not necessarily all retail sales within the City. Users of food stamps or purchases by non-profit organizations are not subject to sales taxes, for instance.

[12] City retail sales data and projections were obtained from the *Economic Impact Analysis* report by the University of Missouri-St. Louis (March 2004). Development Strategies applied the national Consumer Price Index (CPI) to estimate real dollars in 2004 values.

sented three quarters (75.3%) of the spending on sales taxable goods or services in Creve Coeur. Given the importance of the sales tax to the City of Creve Coeur, it is these activities that are among the largest contributors to the jurisdiction's prosperity.

Table 4-2: Estimated Retail Sales in the City of Creve Coeur 1997, 2003, 2008 (in 000s of real 2004 dollars)

				Percent Change	
	1997	2003	2008	1997-2003	2003-2008
Miscellaneous	$ 8,430	$ 10,250	$ 13,940	21.6%	36.0%
Gasoline Stations	11,580	11,620	8,670	0.3%	-25.4%
Sporting Goods	10,820	13,210	17,680	22.1%	33.8%
Electrical and Applicances	12,210	14,130	15,970	15.7%	13.0%
Building Materials and Garden	13,690	16,120	19,340	17.8%	20.0%
Home Furnishings	20,740	23,480	25,160	13.2%	7.2%
Health and Personal Care	19,070	25,260	41,530	32.5%	64.4%
Nonstore Purchases	35,420	39,500	40,720	11.5%	3.1%
Food Services	52,220	59,920	66,370	14.7%	10.8%
Food and Beverage	59,660	61,000	47,030	2.2%	-22.9%
General Merchandise	56,190	66,050	78,560	17.5%	18.9%
Clothing and Accessories	83,280	90,780	86,770	9.0%	-4.4%
Motor Vehicles	162,280	187,810	218,720	15.7%	16.5%
TOTAL	**$ 545,590**	**$ 619,130**	**$ 680,460**	**13.5%**	**9.9%**

Sources: Metropolitan Information and Data Analysis Services, Public Policy Research Center, University of Missouri-St. Louis. Adjustment to 2004 dollar values by Development Strategies using the national Consumer Price Index: 160.5 for 1997, 184.0 for 2003, 189.4 for 2004, and projected 204.6 for 2008 (based on annual trends from 1995 through 2004).

But the relatively small shares captured by the other sectors suggest opportunities for expanding or consolidating retailing in the City and, in particular, in the CBD or town center. While a town center is not likely to be a good location for motor vehicle sales, gas stations, or large general merchandisers, it can be the focus of a number of specialty shops and restaurants in many or all of the other categories.

Most notably, a town center frequently has a high concentration of eating and drinking places. But the projections by UMSL show that, without changes in market trends, food and beverage sales will *decline* by 2008 inside the city limits. A town center concept, therefore, may be an appropriate strategy for retaining such sales in the city, capturing more such sales, and providing an entertaining environment within the CBD.

For instance, simply converting the projected decline in food and beverage sales between 2003 and 2008 from -22.8% to, say, the overall average projected growth in sales of 9.9% would increase the amount of food and beverage sales in the city to $67 million—not the $47 million shown above. An increase of $6 million (in real dollars) between 2003 and 2008, instead of a decrease of $14 million, could add as much as 20,000 square feet in food and beverage square feet in the city—equivalent to three or four more restaurants.

Even stronger net growth can be triggered if the City could be raised just to the same share as EBI. Then sales would represent 4.2% of the 15-minute market area instead of 3.8% at present. This would increase overall sales in the City to about $752 million in 2008, or $133 million more than in 2003 rather than the $61 million shown on the table. This "additional" $72 million in sales could translate to about 240,000 more retail square feet than is otherwise projected. Combined with the "natural" growth shown on the above table of $61 million in real sales, or about 203,000 square feet, Creve Coeur could increase its retail supply by almost 450,000 square feet by, say, the end of the decade. All of this means more aggressive marketing and repositioning, but a town center concept inside a new image of a CBD can play a substantial role in attracting more retailers and shoppers/diners to the city.

4.3 Competitive Retail Concentrations

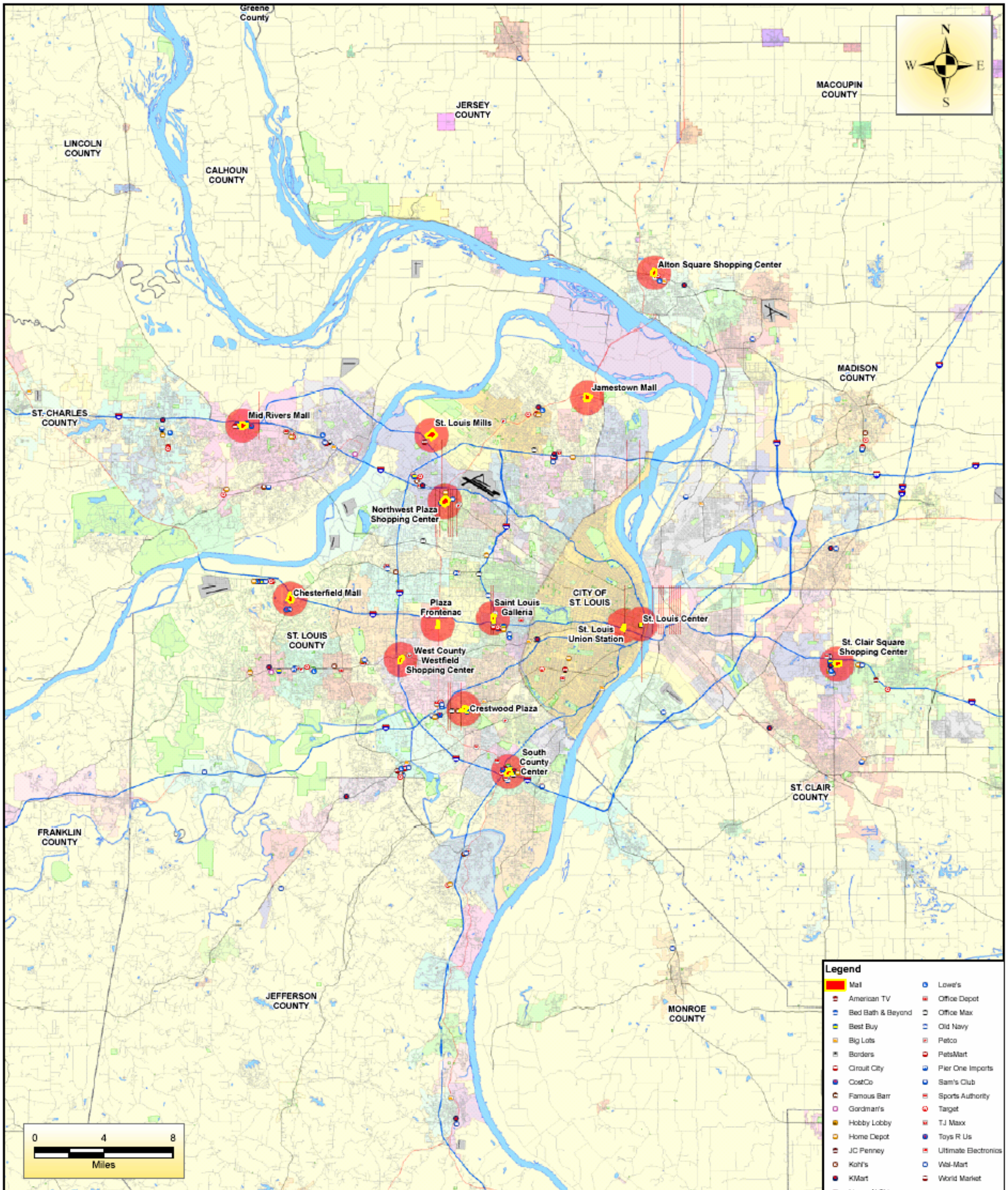
As noted, Creve Coeur has substantial competition for the retail dollar from major and well known retail space concentrations in St. Louis County. The map on the following page helps to illustrate this degree of competition. Within relatively easy driving distance are such regional shopping giants as Plaza Frontenac, West County Center, Saint Louis Galleria, Chesterfield Mall, and Chesterfield Commons. Moreover, Westport Plaza's limited entertainment retailing is within two miles.

Note also on the map the amount of "big box" retailing that concentrates close to the major regional shopping centers. In effect, these retailing nodes not only attract and support major centers but also a wide variety of other retail merchants, large and small.

The following graph, however, suggests that Creve Coeur has effectively been left out of this development of retailing concentration. The graph shows the average daily vehicular traffic volume passing the various sites on the roads and highways under the management of the Missouri Department of Transportation (MoDOT). For each site, the latest traffic volume on roads east, west, north, and south were averaged to provide a sense of the relative amount of traffic passing each location on a daily basis (see table of counts in Appendix D).

Creve Coeur's location at Olive and I-270 ranks it third among these seven locations, behind the Galleria and Westport Plaza. Remarkably, Westport also does not have a significant retail concentration even though the traffic counts are quite high.[13] This suggests that Creve Coeur's location is potentially far stronger as a retail attraction than the development patterns would suggest on their own. Land availability and other factors have certainly discouraged more retail development near Olive and I-270 over the years, but it is not for want of potential shoppers. Indeed, the most often heard comment during the interviews of developers and property owners was that the location for the Creve Coeur CBD is outstanding—perhaps the greatest strength for Creve Coeur, particularly in light of the interchange improvements at Olive and I-270.

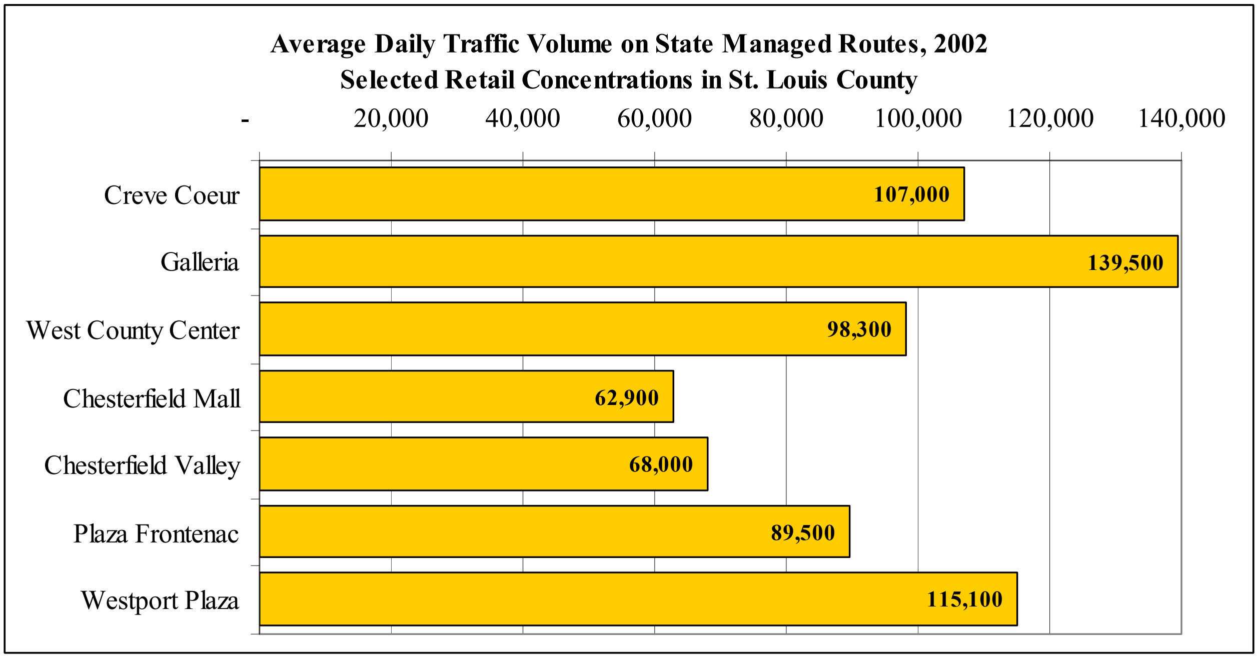
[13] The latest available state data are for calendar year 2002 which pre-dates the new Page Avenue Bridge into St. Charles County. It is quite likely that the volumes on Page are higher today than in 2002 because of that bridge.



Big Box Retail Concentrations and Shopping Malls
Creve Coeur Town Center
St. Louis Metropolitan Area

DEVELOPMENT STRATEGIES
CONSULTANTS IN REAL ESTATE, COMMUNITY, AND ECONOMIC DEVELOPMENT

February 2005



4.4 Retail Space and Sales Potential in the CBD

Table 4-3 builds on all these assumptions, but also suggests further potential for actually capturing a significantly larger share of "town center" kinds of retailing if, in fact, a town center is developed. On a simple assumption that the City's share of retailing in the 15-minute market area can reach 4.2% from 3.8% in the next few years, and allowing for net growth instead of decline in both the food and beverage sector and the clothing and accessory sector, the following table suggests a three-stage development scenario for the CBD. All three stages assume that the CBD would capture 50% of the City-wide retail development.

Table 4-3: Potential Creve Coeur CBD Retail Space: Three Scenarios					***50% of Citywide Potential***	
	Sales Equivalent to City's Buying Power		Sales Equivalent to 15% More than the City's Buying Power		Sales Equivalent to 35% More than the City's Buying Power	
	Sales (000s)	Square Feet	Sales (000s)	Square Feet	Sales (000s)	Square Feet
Assumed Sales per Square Foot:	*$325 in 2005*		*$375 in 2010*		*$415 in 2015*	
Miscellaneous and Sporting Goods	$ 37,680	115,900	$ 43,330	115,500	$ 50,870	122,600
Electrical and Applicances	$ 40,920	125,900	$ 47,060	125,500	$ 55,240	133,100
Building Materials and Garden	$ 23,650	72,800	$ 27,200	72,500	$ 31,930	76,900
Home Furnishings	$ 12,060	37,100	$ 13,870	37,000	$ 16,280	39,200
Health and Personal Care	$ 11,970	36,800	$ 13,770	36,700	$ 16,160	38,900
Food Services	$ 51,840	159,500	$ 59,620	159,000	$ 69,980	168,600
Food and Beverage	$ 44,410	136,600	$ 51,070	136,200	$ 59,950	144,500
General Merchandise	$ 26,790	82,400	$ 30,810	82,200	$ 36,170	87,200
Clothing and Accessories	$ 12,480	38,400	$ 14,350	38,300	$ 16,850	40,600
TOTAL	**$ 261,800**	**805,400**	**$ 301,080**	**802,900**	**$ 353,430**	**851,600**

1. The first stage is really not a stage at all, but an indicator of the possible scale of retailing in the CBD in 2005 (i.e., today) if circumstances reflected Creve Coeur's "fair share" of the market rather than its less-than-fair share as described earlier. It assumes that retail sales in the city as a whole achieve a 4.2% share of the sales in the 15-minute drive time area—a share

equivalent to the city's share of the market area's income. Assuming 50% of that share is captured by the CBD and that average sales per square foot are about $325, the total retail development in the CBD could be 805,400 square feet. Current retail space in the CBD totals about 660,000 square feet.

2. The second stage covers the potential reconfiguration of the CBD retail over the next five years. While hypothetical and highly dependent on market intervention strategies by the public sector, it assumes that the share of retail in the city could increase to 15 percent higher than the city's "fair share" of area income by the year 2010.[14] That is, Creve Coeur would become a "net attractor" of retail sales and, in doing so, average sales would increase to $375 per square foot. There is also an assumption that a town center kind of development would be underway to change the retail environment and image of Creve Coeur. The increase in sales per square foot, however, counteracts the increase in the share of market area sales so that the amount of potential square feet would be essentially the same as first scenario. Still, it would result in some 140,000 more square feet in the CBD that exist today and the sales tax revenues would sharply increase.

3. The third stage increases the share of market area sales to 35% more than the share of area buying power by the year 2015[15] and further assumes that this market power can increase sales per square foot to $415. These changes combine to create potential demand for just over 850,000 square feet, or about 190,000 more square feet than in the CBD today. Moreover, the CBD would produce 65 percent more total sales (and sales taxes) in the CBD than at present.

These projections, at present, ignore any limitations on land availability or acceptable densities. These are market-based projections that can play out if sufficient real estate is available. If land and regulatory constraints are such that sufficient area cannot be created through, say, land assembly or more efficient use of property, these projections are not likely to be realized.

[14] This doesn't mean that the City's share would increase from 4.2% to 19.2%, or a 15% larger share of the market. It means that the 4.2% is multiplied by another 15% to achieve a city-wide market share of 4.8% of the 15-minute market area (4.2% x 1.15).

[15] 4.2% x 1.35, or 5.7% of the 15-minute market area.

5.0 Residential Market Trends, Forces, and Opportunities

A central business district and a town center operate most effectively as mixed use environments. One of the most important uses is residential property, typically in a multifamily format of rental apartments or owner-occupied condominium apartments.

5.1 Defined Market Areas

A primary market area (PMA) is briefly defined as the smallest geographic area that would be expected to generate between 60 to 80 percent of the support for the proposed site. Primary market areas are often separated from adjacent market areas by natural and manmade barriers such as rivers, highways, railroads, major arteries, or a marked difference in the socio-economic makeup of the neighborhood or area.

The primary market area for housing in the Creve Coeur CBD has been determined by: 1) interviews conducted with area apartment managers, city officials, real estate agents, and area developers, 2) demographic analysis, and 3) field analyst observations.

We have identified the primary market area as bounded by the Missouri River on the west, Dorsett on the north, Ashby Road and Warson Road on the East, and I-64 on the south. We believe that residential development at the subject site could attract people who currently live in older apartment complexes, single family homes, and garden-style condominium developments in the immediate area who want newer and better appointed housing still within this area.

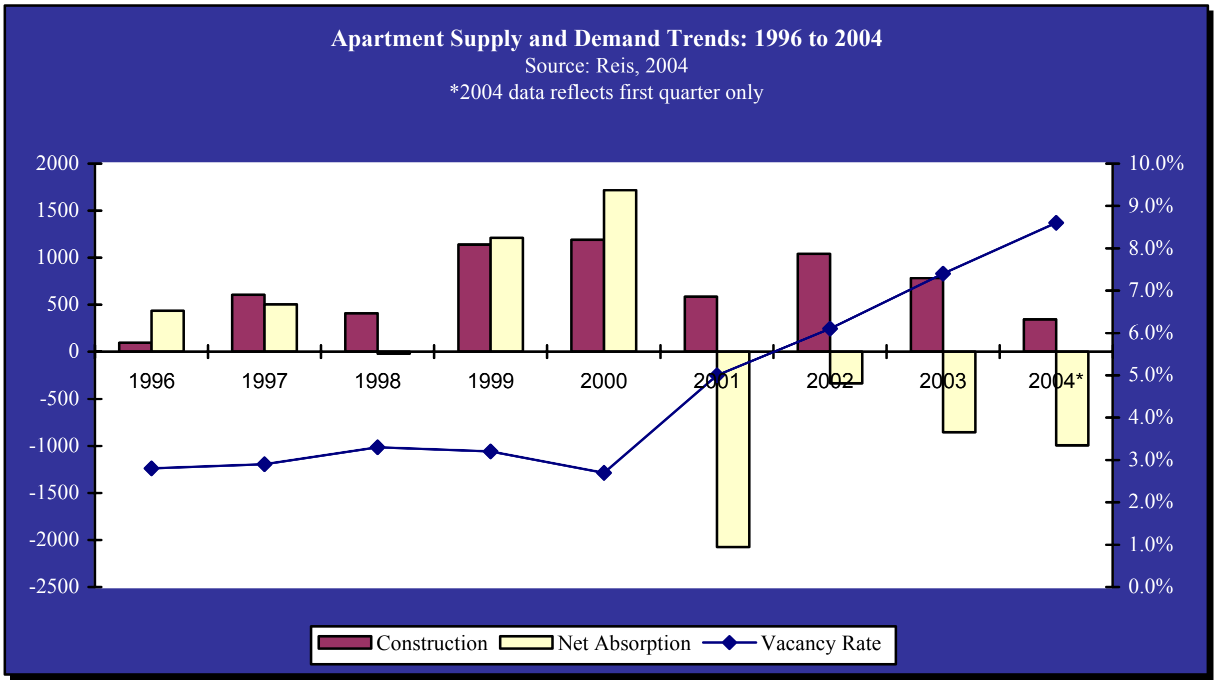
We expect that approximately 60 percent of the prospective demand will come from households now located in this primary market area (PMA). The potential for residential development at this site, however, is exceptional because of the large number of employers in the area and nearby business parks. That is, many people who work in the greater Creve Coeur area live throughout the metropolitan area and are familiar with the CBD. So a great deal of demand can be generated from outside the PMA.

We estimate further that 25 to 30 percent of the prospective new buyers and renters in the Creve Coeur CBD will come from the rest of the metro area. The remaining 10 to 15 percent will come from people relocating from outside the region, particularly younger singles and couples moving to St. Louis for employment in the Creve Coeur vicinity or, more broadly, West County.

5.2 Overview of the Rental Apartment Market

Since the late 1980s, there has been very little new rental apartment development in the St. Louis MSA. A building cycle that ran from 1982 to 1989 resulted in annual deliveries averaging 4,400 units. The pace slowed over the next few years, producing negligible completions through 1996. The number of completed apartment units fluctuated between 1996 and 2000 before falling from 1,191 new units in 2000 to 587 new units in 2001. There was nearly twice the number of new apartment units constructed in 2002 than in the previous year; however, new apartment construction continued to decline in 2003 and in the first quarter of 2004.

Still, after experiencing an eight-year high in net absorption in 2000, apartments in the St. Louis MSA saw negative net absorption (i.e., increasing vacancies or decreasing occupancy rates). The principal contributing factor to negative absorption has been lower mortgage interest rates. Beginning in early 2001, low rates made it more affordable for many households to purchase homes rather than to rent, for the same monthly outlays.



Though general trends indicate decreasing occupancy rates for rentals, actual changes in this measure varies throughout the region. The following table presents recent data for the various apartment submarkets in St. Louis. Creve Coeur falls within the West County submarket, a large area of St. Louis County west of Lindbergh Boulevard that also includes Maryland Heights, Town & Country, Chesterfield, Kirkwood, Ballwin, and Wildwood.

Comparison of Multi-Housing Characteristics by Sub-Market					
		Average Occupancy		Average Quoted Rent	
Submarket	Sample Units	*1Q04*	*1Q03*	*1Q04*	*1Q03*
Central St. Louis County	491	94.1%	86.0%	$1,295	$1,275
Central West End	964	91.9%	91.5%	$1,078	$1,075
Downtown	961	82.5%	78.6%	$795	$656
Jefferson County	823	97.2%	93.4%	$637	$627
Metro East	1,040	91.3%	95.1%	$689	$713
North County	786	92.5%	94.1%	$581	$571
Northwest County	810	92.5%	91.0%	$659	$646
South County	1,469	92.5%	92.3%	$692	$685
Southwest County	550	88.6%	98.7%	$646	$642
St. Charles County	1,741	89.5%	91.4%	$723	$707
West County	2,984	91.9%	92.6%	$908	$908
Total Sample	**13,367**	**91.1%**	**91.6%**	**$780**	**$765**
Source: CB Richard Ellis, 2004					

Recent rent levels in West County have been stable at about 15 to 20 percent higher than the regional average, although they substantially lag the area's rent leaders – Central St. Louis County and the Central West End. In contrast to West County, these areas attract larger numbers of people who prefer to rent over a long period of time and actively seek a multifamily living arrangements as a permanent lifestyle.

West County is the largest apartment submarket, with nearly 3,000 sample units. Broadly speaking, it is a very affluent area. However, its demographic composition lends itself more heavily to for-sale products and single-family homes than to rental products. Consequently, few new apartment projects are under development in the area. Most renters in the area are young professionals who choose an apartment for a few years but move into single-family homes when they marry or have children, or when they become more established in their careers.

Profiles of eight rental apartment developments in the St. Louis area that represent the type of "product" anticipated to be favorable in the Creve Coeur CBD are described and summarized in Appendix A.

5.3 Overview of the Condominium Market

In the St. Louis area, attached for-sale housing is most popular in the city of St. Louis (mainly the Central West End neighborhood and Downtown), Clayton, and Brentwood. Condominiums and townhouses also exist in other parts of the metropolitan area – particularly in Maryland Heights, Creve Coeur, and Chesterfield – but are typically older (most in the 10- to 20-years-old range) and resemble garden apartments with prices generally less than $150,000. Nevertheless, condo prices are on the rise in greater St. Louis and across the country, in part due to the increased demand of aging baby boomers who have decided to downsize their living accommodations.

Nationwide, the median price of a condominium surpassed the median price of a single-family home in late 2003. Though condo prices still trailed single-family homes in the St. Louis region at the end of 2003, the gap is quickly narrowing. According to the National Association of Realtors, the national median price of a condominium in 2003 was $173,300 while the average for a single-family home was $170,800. In St. Louis, the median condo price was $127,500 in 2003, compared with $137,900 for a single-family house according to the St. Louis Association of Realtors. This gap was less than half as large as the gap at the end of 1999.

The recent trends in condominium sales have reversed those of the 1980s and 1990s, a time during which condos were highly risky investments and susceptible to wide price fluctuations. Although condominiums typically sold quickly when new, they had a much tougher time reselling. This is not the case any longer.

The popularity of condos has revived as more "baby boomers" downsize their homes when children leave. At the same time, an increasing number of young professionals have sought to live in "hip," urban areas. The trend was further bolstered by a 1997 change in federal tax laws that had previously encouraged homeowners to continue seeking more expensive houses because gains on the sale of a house were exempt from taxation only if entirely used to buy another house. Now, up to $500,000 in gains on the sale of a house can be shielded from taxes under certain circumstances. The tax law change has freed boomers to "trade down."

In St. Louis, condos comprise a small, but growing, part of the housing market. Much of the condominium market activity has resulted from a trend of developers turning abandoned buildings into lofts downtown and converting rental apartments in the Central West End. New construction has primarily occurred in and around Clayton. In 2003, about 3,300 condos were sold in the St. Louis area, versus 2,500 in 1999, according to the local realtors association.

Clayton leads the local market in average condominium prices and sales. Condominiums are increasing in popularity in Clayton partly because Clayton does not have much available land for development, so condominiums are a space-efficient means of providing more housing in the city and they are allowed under current zoning.

Large segments of Clayton's population consist of affluent young adults and those of retirement age. For many in these age categories, condominiums offer highly convenient housing options without high levels of individual maintenance required (e.g., yard work, painting).

The Central West End still features several of the high-rise condominium buildings that were built to accommodate the rising numbers of middle-class residents in the first half of the 20th century. The neighborhood's combination of urban life and a pedestrian neighborhood in close proximity to Washington University and its medical center is making it increasingly attractive as a housing option.

Condominium Sales History*
January 1, 2002 to September 23, 2004)

	# Sold	*Condo Size*	*Sales Price*	*Sales Price/SF*
63146 (Maryland Heights/Unincorporated)				
Minimum	16	ND	$119,000	ND
Average		1,364 SF	$221,567	$162
Median		ND	$246,200	ND
Maximum		1,460 SF	$275,000	$188
63043 (Maryland Heights)				
Minimum	5	1,097 SF	$159,500	$108
Average		1,449 SF	$180,100	$124
Median		1,265 SF	$165,000	$130
Maximum		2,000 SF	$215,000	$145
63141 (Creve Coeur)				
Minimum	38	1,170 SF	$193,000	$165
Average		1,495 SF	$307,843	$206
Median		1,341 SF	$223,700	$167
Maximum		4,218 SF	$1,020,000	$242
63303 (St. Charles)				
Minimum	27	ND	$115,100	ND
Average		1,417 SF	$157,283	$111
Median		ND	$163,000	ND
Maximum		2,100 SF	$250,000	$119
63017 (Chesterfield)				
Minimum	75	ND	$169,000	ND
Average		2,515 SF	$403,367	$160
Median		ND	$400,000	ND
Maximum		3,705 SF	$1,081,394	$292
63105 (Clayton)				
Minimum	124	ND	$175,000	ND
Average		2,774 SF	$798,048	$288
Median		2,350 SF	$729,900	$311
Maximum		7,608 SF	$3,750,000	$493

* Condominiums less than five years old
Source: Multiple Listing Service

Downtown St. Louis is the third major market for condominiums in the St. Louis area today. In contrast to the Central West End and Clayton, downtown condos are almost exclusively lofts in rehabilitated older buildings. There are currently 300 to 400 new condo units planned or under construction in a variety of projects in downtown.

In our overview of the condominium market, we have attempted to find developments in areas closest and most similar to that of the subject property. Some included here, however, are from outside of the market area for the simple reason that there are not enough comparable developments in this area alone.

The Multiple Listing Service (MLS) reports that, since January 2002, 59 condo sales have occurred in the Creve Coeur/Maryland Heights area, ranging from $119,000 to $1,020,000. The median sales prices for these zip codes were between $165,000 and $243,200.

Nearly all of the new condo sales in this area were within the Summit Lofts and Mill Crossing Condominiums in Creve Coeur. In addition to these two projects, the City Place Condominiums project recently broke ground in Creve Coeur; this project will include 48 units in two four-story buildings, with prices ranging from $270,000 to $700,000.

The accompanying table compares condo activity in the 63146, 63043, 63141, 63303, 63017, and 63105 zip code areas.

The most popular types of condominiums in these targeted areas are two-bedroom, two- to 2.5-bathroom units, followed by three-bedroom, two- to 2.5-bathroom units. None of the new condominiums recently sold in this market are one-bedroom units. The popularity of the two-bedroom units is due to its flexibility for one and two-person households, which comprise nearly two-thirds of the households in

Condominium Sales by Unit Types*
(January 1, 2002 to September 29, 2004)

	# Sold	Percent	Avg. Price
63146 (Maryland Heights/ Unincorporated)			
1 BR, 1b	0	0.0%	NA
2 BR, 2b-2.5b	11	68.8%	$215,900
3 BR, 2b-2.5b	5	31.3%	270,900
Total	16	100.0%	
63043 (Maryland Heights)			
1 BR, 1b	0	0.0%	NA
2 BR, 2b-2.5b	4	80.0%	171,400
3 BR, 2b-2.5b	1	20.0%	215,000
Total	5	100.0%	
63141 (Creve Coeur)			
1 BR, 1b	0	0.0%	NA
2 BR, 2b-2.5b	34	89.5%	256,600
3 BR, 2b-2.5b	3	7.9%	748,000
4 BR, 2.5-3b	1	2.6%	729,000
Total	38	100.0%	
63303 (St. Charles)			
1 BR, 1b	0	0.0%	NA
2 BR, 2b-2.5b	19	70.4%	149,600
3 BR, 2b-2.5b	8	29.6%	175,500
Total	27	100.0%	
63017 (Chesterfield)			
1 BR, 1b	0	0.0%	NA
2 BR, 2b-2.5b	28	37.3%	336,300
3 BR, 2b-2.5b	42	56.0%	441,800
4 BR, 2.5-3b	3	4.0%	431,500
5+ BR	2	2.7%	492,800
Total	75	100.0%	
63105 (Clayton)			
1 BR, 1b	0	0.0%	NA
2 BR, 2b-2.5b	66	53.2%	627,700
3 BR, 2b-2.5b	50	40.3%	917,300
4 BR, 2.5-3b	8	6.5%	2,035,100
Total	124	100.0%	

the market area. The second bedroom is often used as an office, library, storage, or guest bedroom. A third bedroom is used for similar purposes, though, in many instances, three-bedroom units are purchased by three-person households.

The dominant condominiums unit type coming on the market today is a two-bedroom, two-bathroom unit, followed by a three-bedroom, two-bathroom unit and then a one-bedroom, one-bathroom unit. However, there are important differences by submarket: in West County most condominiums are larger, containing two or three bedrooms, while projects in the Central West End or Clayton tend to include a minority portion of one-bedroom units. These are typically purchased by single persons who are willing to pay a premium to live in a particular desirable location rather than have a larger unit in a less desirable location.

Sales agents in Clayton indicated that smaller units are the most popular at this time with professional singles (of all ages) who are insistent on being near Clayton and its popular restaurants, bars, and shopping along with extensive employment opportunities.

Conversely, in Creve Coeur and outer suburban areas, sales agents indicate that one-bedroom units are not very popular. In fact, the sales agent at Mill Crossing Condominiums observed that they had planned to build one-bedroom units in their third building, but their market data showed a very limited demand for this type of unit, leading to their ultimate decision to focus instead on building two-bedroom units with a small number of three-bedroom units. Conrad Property also does not plan on building any one-bedroom units at the Summit Lofts and has primarily built two-bedroom units with a few larger three-bedroom units.

Summit Lofts is the newest condominium project in Creve Coeur, and it was originally designed as an all "soft loft" product with open floor plans, exposed ducts, high ceilings, and hardwood floors. As noted above, the concept has been very successful in the city of St. Louis and at the Hi-Point Lofts in Richmond Heights, but less successful in Creve Coeur.

Conrad Properties recently adapted the Summit Lofts project to provide more traditional units in subsequent phases. The new units will be smaller than the lofts with enclosed bedrooms and hidden ductwork that reflect the tastes of the majority of the market. The change results in a reduced base entry price for the condominiums, from $278,000 for Phase I to $200,000 for Phase II, while increasing the projected price per square foot from $215 to $225 per square foot to $230 to $240 per square foot. The development will also be renamed: West Village.

The experience at Summit Lofts should provide some guidance in terms of the market's tastes and price range. More traditional products have been most successful in the market area. In particular, the "urban-style" loft concept performed rather poorly in Creve Coeur. However, it should be noted that the Summit Lofts' location and setting is poorly suited for an urban product (it is located off of the street and in the midst of office parks), so the market may have been responding to these contextual factors more than to the product itself.

Newer traditional condominiums in Creve Coeur range in size from 1,200 square feet to nearly 2,200 square feet with most containing between 1,400 and 1,700 square feet. Loft units are typically larger, averaging around 2,000 square feet. Older suburban condo developments in Creve

Coeur and Maryland Heights are typically slightly smaller relative to the size of newer suburban condo developments. Condominiums in Chesterfield are generally larger, many with more than 2,000 square feet and containing three bedrooms. The Westport market area appears to prefer condominium units with between 1,200 and 2,000 square feet, with median sized units around 1,500 to 1,600 square feet. Newer units coming on-line are typically slightly larger than older condo developments.

5.4 Conclusions

By analyzing the demographics of the market area and reviewing real estate trends and developments, we were able to identify a set of promising strategies for new residential development in the Creve Coeur CBD. These conclusions address an optimum mix and type of units, amenities, and pricing for either a rental apartment project or a condominium project.

Generally, the condominium market is healthier than the rental market. There are relatively few competitive condominium developments in the immediate area, and many are at least 10 years old. Income levels in the market area suggest a substantially greater potential demand for condominiums versus apartments. On the other hand, because the market for luxury condominiums recently ran into some problems with the Summit Lofts, a condominium project could be considered a bit more risky than a traditional rental apartment development. We conclude, however, that this market bump is very short-lived.

We believe that both apartments or condominiums can and will be successful in the Creve Coeur CBD, provided that the right types of products are offered and amenities in the immediate environs are improved—such as a better pedestrian environment and a wider range of retail services. But we also conclude that a condominium development is the stronger of the two approaches at this time.

Having said that, we anticipate that the market will roughly respect the following scenario over th next ten years:

1. There are about 1,650 residential units in the Creve Coeur CBD today. Market forces are such that about 100 of these could be removed from the inventory by 2010 as various land uses change and as upgrades to the housing supply are initiated. At the same time, there would be construction of some 300 units over the next five years, for a net gain of 200 and a 2010 inventory of about 1,850 in the CBD.

2. Between 2010 and 2015, the market will be more robust. This coincides with the “front edge” of key demographic changes in the Baby Boom generation that will begin retiring in this era, many of whom will be seeking alternative and less burdensome housing lifestyles. We project a net gain of about 650 housing units in the CBD consisting of the replacement of some 250 units and the new construction of about 900. The total CBD inventory at the end of 2015, therefore, would be about 2,500.

These projections, at present, ignore any limitations on land availability or acceptable densities. These are market-based projections that can play out if sufficient real estate is available. If land

and regulatory constraints are such that sufficient area cannot be created through, say, land assembly or more efficient use of property, these projections are not likely to be realized.

It is important to acknowledge the significance of low interest rates in driving market preferences for ownership products. Interest rates are certain to rise in the next several years. We cannot predict the extent and impact of that change in the market, but it may cause a renewed interest in rental housing. One possibility to hedge against the uncertainty would be to pursue a combination of rental and condominium units. A phased development program would reduce the risk associated with the investment.

6.0 Interviews of Real Estate Professionals

Interviews of larger property owners and/or developers in the Creve Coeur CBD were conducted between late November 2004 and early February 2005. In addition, several people representing other real estate developers who have a metropolitan perspective on Creve Coeur's market opportunities were interviewed by Development Strategies personnel. The individuals who participated in these discussions are:

1. **Robert Sherwood**, Managing Director, Pace Properties
2. **Jerome Crylen**, Senior Vice President, Duke Realty
3. **Jeffrey Zornes**, Area Director, Trammell Crow (Dan Weise)
4. **Jonathan Browne**, President, Novus Development
5. **Larry Chapman**, Senior Vice President, TriStar Business Communities
6. **Mike Towerman**, President, TriStar Business Communities
7. **Bill Koman**, President, The Koman Group
8. **Wendy Timm**, COO, Conrad Properties
9. **Steve Wolff**, Wolff Properties
10. **Chris Ho**, Vice President for Development, MLP Investment
11. **Bert Solomon**, Vice President, Coldwell Banker Commercial
12. **David Fontana**, Director of Real Estate Development, Schnucks
13. **Ted Martin, Jr.** Colliers Turley Martin Tucker
14. **Toby Martin,** Colliers Turley Martin Tucker

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1. What strengths do you think Creve Coeur should build on moving forward?
The attractiveness of Creve Coeur's central location in St. Louis County and the metropolitan economy is by far the most frequently mentioned strength on which to build for the future. With the pending completion of improvements of the I-270 and Olive Street interchange, accessibility and visibility for Creve Coeur will be second to none. According to several respondents, the reconstruction of the Olive and 270 interchange couples with the many small to-midsize business owners living nearby to encourage increased numbers of entrepreneurial firms locating in the city.

All interviewees agree that demographics work greatly in Creve Coeur's favor. Education levels are very high, income and buying power are strong, and business/economic/civic leadership potential is outstanding. The only possible negative factor is an aging population, reflecting the maturation of the baby boom generation; many fear that sufficient replacement households may not be as attracted to Creve Coeur.

One possible opportunity is to create more high density, high value housing in critical parts of the city—such as the CBD—to encourage empty nesters to convert their suburban housing investment into a more convenient condominium community, thereby making more of the single family housing available for future growth. At risk is the potential outmigration of the strong, wealthy demographics for high quality, higher density housing elsewhere in the county and city, thus depriving Creve Coeur of valuable human assets already familiar with and committed to the city.

Several interviewees noted that there is a strong potential in the CBD area for considerable expansion of the medical office stock. With a high income community and the continued growth of St.

John's Medical Center (and Missouri Baptist, for that matter), Creve Coeur is considered a critical concentration of medical care. But, due to the Stark bill which prevents hospitals from providing medical office space at below market rents, the private market should thrive more than it has in creating medical offices in the city.

Other strengths mentioned include:

- City Place, which has created high quality office space in large amounts, thus partially counteracting the image of Creve Coeur as a "B" office location in low rise office parks. City Place enables the Creve Coeur CBD to better compete with the likes of Clayton and Chesterfield.
- Conrad Property's Lofts, which have introduced a more diverse set of housing opportunities into the CBD area. While the first phase was less than stellar, it demonstrated that a healthy residential market exists and is prompting not only expansion but upgrades in design and value.
- Parking facilities to accommodate higher density growth. Parking in Creve Coeur will always remain a vital necessity. Stand alone garages and those incorporated directly into office buildings offer more space and better designs.
- The existence of the Transportation Development District, promoted primarily at the behest of The Koman Group, will enable the CBD area to raise targeted funds for the badly needed circulation improvements in the area.
- The positive force that the City Manager is playing in the development planning process. Many interviewees made special mention of the efforts of the CM and the planning staff in particular, and evolutionary changes in city procedures, more generally, to encourage reinvestment in Creve Coeur in more creative ways.

2. What weaknesses or obstacles need to be addressed to ensure success?

The dominate theme from respondents, although articulated in various forms, is that Creve Coeur is a city that has not decided what it wants to be. Interviewees broadly described three basic visions among the citizens of Creve Coeur that are competing for supremacy and, consequently, no one vision for development and no one plan for the future has prevailed.

- *The first vision is that the development guidelines, procedures, and results that worked in the 1970s can continue to work today*. While there is much to be admired from that era, and much upon which to build for the future, Creve Coeur is no longer a newly growing suburb that is converting former rural and sparsely developed areas into a vibrant, diverse community. Reinvestment is far more necessary today, although many lessons from the 1970s can still apply since no small amount of the Olive/Ballas corridor that dominates today is a result of redevelopment and property consolidation.
- *The second is that Creve Coeur's Central Business District can be a direct competitor to Clayton*. While City Place and the Olive/I-270 improvements make Creve Coeur far more competitive in the office market, it is probably unrealistic and not necessarily desirable to try to catch up with or be another Clayton. Clayton has a lot more experience and depth in such de-

velopment and it has the distinct advantage of being the seat of the second or third most populous county in the states that border Missouri (eclipsed only by Cook County and, perhaps, DuPage County, Illinois). Creve Coeur, instead, should seek its own identity even as the model and diversity of Clayton can still be a motivating force.

- *The third is that Creve Coeur should hold on to its past as a pastoral community*. Certainly, many parts of Creve Coeur express a pastoral image in the residential areas dominated by large homes on large lots. This is not to be dismissed as a great strength of the city. But it is no longer (if it ever was) a vision for the Olive/Ballas intersection which has long been a focus of economic activity in St. Louis County. Indeed, to preserve the ability to support the high quality residential neighborhoods, it may well be necessary to intensify the development of certain key locations (the proposed CBD is one) in order to provide sufficient tax base for city services.

Many of the respondents' other comments on weaknesses can be viewed in light of these competing, if contradictory, underlying themes. For example, most respondents said that elected officials have been "hostile" to developers and that, even when working in a cooperative manner, the city approaches development in a "discombobulated" way. All of the interviewees, however, see Creve Coeur as a great opportunity for economic growth; but they feel stymied by uncertainty among city leaders. No one is quite sure what the "rules" of development are.

The city is, likewise, seen as approaching economic development from two distinct models: West of I-270 has developed in different patterns than east of I-270. There is an undercurrent that different rules apply on the west side than the east, with the west benefiting from more pro-development attitudes while the east side requires much more conservative approaches.

Another current weakness is the Executive Office Park complex. It was specifically cited several times as an example of a disappointing long-term venture because of poor parking arrangements, "B" quality office space, and few amenities. While it was an example of significant progress at the time of its development, it has not kept pace with other changes in the city or St. Louis County to sustain it as a competitive opportunity in the office market.

Additional obstacles to economic improvements in the CBD area are traffic congestion; lack of pedestrian-friendly environment; lack of latitude on retail signage; a reluctance to approve various city incentives such as condemnation, tax abatement, or TIF; and a long, frustrating, and costly process for development approval all too often stemming directly from the building department and expressed in public settings in which the some officials seem hostile to change.

3. **How would you see the business district evolving if no formal plan is adopted to guide public and private investment?**

Every respondent to this question remarked that, without a formal city-driven plan, Creve Coeur will simply continue to muddle along. Several individuals used the word "tired" to describe the CBD area and noted that, without a plan, Creve Coeur will be "passed by" as other communities attract development investment. However, several respondents noted there is already a slow but steady conversion to residential and that "forcing" a more urban town-center driven environment on a mature community may not be successful.

Because of the obstacles outlined above (see Question 2), several respondents wondered whether city officials have enough incentive—or enough political will—to change the development dynamic. In light of the city's fiscal pressures, it is vital that leadership work quickly toward improved environments in the city, especially those that attract high value businesses.

4. What do you consider to be major competitive business districts and town centers in St. Louis County?

There are wide ranging opinions on this question, perhaps reflecting different perspectives on a CBD vision for Creve Coeur. Most frequently cited was the Clayton-Brentwood-Richmond Heights area as the major competitor to Creve Coeur's CBD. While others suggest that it isn't worth losing sleep over because the Clayton area is unique unto itself, the potential for a Clayton-Richmond Heights merger piques quite a lot of interest in terms of that "new" city's economic development opportunities.

More than one respondent, however, noted that the quality of office space in the Clayton CBD, as opposed to the primarily "B" space in Creve Coeur, puts Clayton on a higher level playing field and, therefore, out of Creve Coeur's league. On the other hand, City Place and development west of Ballas have forever changed the image of Creve Coeur as a big league player.

Illustrating the diversity of opinion about the competitive position of Creve Coeur as a CBD are also the frequency that other places are mentioned, each of which effectively tied for second after Clayton: Westport Plaza, downtown Kirkwood, Chesterfield/I-64 corridor, the regional shopping malls, Des Peres, Webster Groves, and the Central West End.

Some of these have in common that they have significant Interstate access and visibility (Westport, Chesterfield, Des Peres, many of the malls), others share an image of graceful aging and adaptability to modern times (Kirkwood, Webster, CWE), and all but the CWE are second or third tier suburbs of St. Louis. All have quite diverse cores and surrounding residential areas with the exception, perhaps, of Westport.

In the end, the range of observations on this question probably reinforce the need for Creve Coeur to define itself (solely on its own merits) as a special place. There seems to be no ready agreement that a local "model" exists.

5. How do you think a Creve Coeur Town Center should be differentiated from comparable St. Louis places?

Creve Coeur has tremendous potential and can differentiate itself by emphasizing its proximity to I-270, by developing new walkable areas for specialty lifestyle retail, and by linking the city's office district with lifestyle amenities such as the golf course and tennis club. One respondent suggested branding Creve Coeur as the "Get Anywhere in 20 Minutes" city because a 20-minute drive from Olive and I-270 covers virtually all of the St. Louis County and City along with significant parts of St. Charles County. Several interviewees, however, emphasized the need to preserve and promote the community identity that the current population wants and to "defend the integrity" of the community character to which residents and business owners have already made a commitment.

Walking and parking seem to be common themes in response to this question. It seems that the interviewees can envision a distinguishing feature of the CBD as being a "people-friendly" environment but without sacrificing the ability to park one's automobile.

One developer, echoing sentiments expressed by many other respondents, said that if city officials eliminated the image of infighting and inconsistency and developed a solid plan with sensible rules, developers would be "tripping" over themselves to work in Creve Coeur. This, in itself, would distinguish Creve Coeur from many other locations and give it great advantages in attracting economic opportunities. Still other developers noted, however, that trying to do everything in "one fell swoop" could lead to development that won't simply work in the current market.

6. How do you see yourself/your business fitting into or contributing to the future direction of the area?

Several of the respondents cited CBD area projects they are currently involved with or are hoping to bring to fruition including:

a. Maintaining the highest and best use over time for Ballas/Olive Shopping Center.

b. Completion of the $40 million West Village (172 condos).

c. Revitalization of Executive Office Park.

d. Redevelopment of CBD planning area, Bristol's site, Blockbuster shopping center.

e. Mixed use project similar to the development at Studt and Ballas (152 rental units with 15,000 sq. ft. retail space).

f. Town Center including link to golf course and community center.

g. Recreation center (TIF $ needed).

Other respondents were unsure of their involvement in Creve Coeur's future; however, even these indicated interest in higher density condo residential infill projects. Indeed, higher density residential tied to a sharply upgraded "lifestyle" retail/entertainment environment for a town center in the middle of the CBD seem to evoke a large amount of interest.

7. What land uses and activities do you think a Creve Coeur Town Center should contain and emphasize?

Almost all respondents emphasized the need for mixed-use development incorporating an opportunity for walking amongst specialty retail shops and office areas while taking advantage of common parking garages. A "main street" running along Ballas from Creve Coeur City Hall to Olive Street and City Place, was often noted as a prime area to implement the mixed-use model. While several placed an emphasis on residential, one developer noted that, unless Creve Coeur becomes more aggressive in the office market, it will continue to lose out to Clayton and Chesterfield. Combining these thoughts, of course, yields a collective vision of a complex mix of uses in a CBD ambience.

In terms of residential, a real opportunity for multi-family housing for seniors is recognized, particularly in the form of mid- and high-rise condos. It was suggested that 4-to-5 story residential properties could be developed along Olive, even all the way to Spoede Road. Within the potential CBD development arena, however, the emphasis remained on mixed-use and the need to provide safe walking areas between homes, retail, and office spaces, including a pedestrian tunnel beneath Olive. Whether this is the right solution or not, pedestrian access across Olive Street must be eased if the entire CBD is to realize a vision of walkability.

Several respondents said that Creve Coeur could support a "boutique" theatre without impinging on the other two cinemas in town. Others mentioned the role that civic organizations can play within a "main street" environment. Kirkwood, Old Webster, and the Delmar Loop were cited as examples of this type of integration.

Another example of a development to keep an eye on is the new Boulevard in Richmond Heights, though it is much too early to determine if that is the way of the future in greater St. Louis. At least two interviewees asserted that because the Boulevard was driven and conceived to be supported by the Galleria and serves a "destination-driven" demographic, it should not, therefore, be considered a model for Creve Coeur.

8. How sustainable are such uses in the St. Louis marketplace and how will they support one another?

"The jury's still out," on the sustainability of mixed-use developments in St. Louis, according to survey respondents. Westport was the only good example for many years as a newly minted suburban model; but it lacks residential. Kirkwood is challenging this market with many improvements along Kirkwood Road in the downtown area over the last couple of decades, with culmination in the high density housing across from city hall. But sustainability has yet to be demonstrated.

Most, however, pointed to The Boulevard as the project to watch and the one that will, in some respects, set the bar for the St. Louis metropolitan region. No matter what type of developments occur, however, most interviewees agree that parking will need to be addressed. One interviewee asserted that "parking is the big issue" and that there is a "disconnect" between ideas about parking, actual parking habits, and the design of parking structures.

9. What are good examples of similar kinds of suburban business districts and town centers elsewhere in the U.S.—or other nations, for that matter? What lessons from them can we apply to Creve Coeur?

Survey respondents mentioned many different suburban business districts and town centers to which city planners in Creve Coeur can turn as examples. They are listed below based roughly on geographical proximity to St. Louis.

- Arlington Heights, IL
- Highland Park, IL
- Naperville, IL's older sections
- Zona Rosa, Kansas City, MO
- Carmel, IN
- Hurstbourne area of Louisville, KY
- Cincinnati suburbs, OH
- Bethesda Row, Bethesda, MD
- Reston, VA
- Marketplace at Clarendon, Arlington, VA
- Pentagon Row, Arlington, VA
- Phillips Place, Charlotte, NC
- Peach Tree Street, Atlanta, GA
- Addison Circle, Dallas TX
- Southlake Town Center, Dallas, TX
- Abilene, TX
- Stapleton, CO
- Olympic Village, Salt Lake City, UT
- Suburban Phoenix, AZ
- Century City in Los Angeles, CA (based on Faneuil Hall)
- Santana Row, San Jose, CA
- Vancouver, BC, Canada (as an example of dense residential)

Some of the lessons that city planners can take away from these developments include:

1) Don't compare Creve Coeur to greenfield developments anymore.
2) Look at second tier suburbs that most accurately reflect Creve Coeur's situation.
3) Keep in mind regional differences (demographics, economic base, culture).
4) Keep in mind transportation habits. Creve Coeur is not served by rapid transit but is almost entirely dependent on automobile movements.
5) Look at office space, spotty infill, and find a balance in the community.
6) "Something that looks good somewhere else may not work in the current market."

ASSUMPTIONS AND LIMITING CONDITIONS

This economic analysis and projection of impacts is subject to the following limiting conditions and assumptions:

1. Information obtained from the U.S. Departments of Commerce and Labor, Claritas, Colliers Turley Martin Tucker, Grubb & Ellis/Krombach Partners, the City of Creve Coeur, St. Louis County, and other secondary sources is assumed to be reliable and accurate. However, this information cannot be guaranteed or construed to represent judgments by the consultant. Such information and the results of its application by the consultant are subject to change without notice.

2. The future course of the Missouri economy and the metropolitan Kansas City economy, as represented herein, is based on our current understanding of the market and representations made to us. The future course of the proposed Sports Complex improvements or growth in the arts and cultural sector of metro Kansas City is difficult to predict and our forecast is subject to change, although we deem our projections as reasonable given current information available.

3. We have analyzed the current economic conditions in the Kansas City area and have taken them into consideration in making long-term judgments. However, should the local, regional, or national economies suffer a major recession or depression, this would have a material effect on our conclusions.

4. Our analysis, opinions, and conclusions were prepared in conformance with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the American Society of Real Estate Counselors, of which Richard C. Ward, Chairman and Senior Principal of Development Strategies, is a member; and the requirements of the Code of Ethics and Professional Conduct of the American Institute of Certified Planners and the International Economic Development Council, of which both Richard C. Ward and Robert M. Lewis, President and Principal of Development Strategies, are members.

APPENDIX A: COMPARABLE RENTAL APARTMENT DEVELOPMENTS

In our analysis of the apartment market, we reviewed leasing activity for several centrally located apartment developments. Our survey provides an indication of the size, type, and amenities of rental properties within one mile of the subject site.

With two notable exceptions, development of rental projects in the greater Creve Coeur area occurred during the 1970s and 1980s. During this period, the immediate vicinity of Westport Plaza was almost fully built out, with few remaining opportunities for large-scale new construction of residential units. The two exceptions are Westpark Apartments, which constructed 100 units in 1996 (Westpark II) and 56 units in 2000 (Westpark III), and Boulder Springs Apartments, a 166-unit development completed in 2001. Both of these projects are included in our survey on the following pages.

Apartment pricing is based on the level of finish of the unit, location, complex amenities, and views. Within a given project, the prices of apartments also differ depending on the location (height and position) in the building. Buyers pay a premium for higher units with views. We have summarized the comparable apartment projects on the following pages.

MARKET COMPARABLE #1

Westpark Apartments, III

11409 Tivoli Lane
Maryland Heights, Mis-
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Location:	One mile south of Westport Plaza off Schuetz and Lackland Road
Leasing Agent:	Westpark – (314) 993-3884
Number of Units:	56 (212 total)
Year Built:	2000
Housing Type:	

Unit Type	*Unit Mix*	*Size*	*Rent*	*Rent PSF*
1 BR-1b	14	830 SF	$740	$0.89
1 BR-1b	14	878 SF	$760	$0.87
2 BR-1b	14	1,027 SF	$850	$0.83
2 BR-2b	14	1,077 SF	$935	$0.87

Occupancy:	98%
Security Deposit:	$400
Concessions:	First and last month's rent free with a 13-month lease for any size apartment in any phase
Utilities:	Owner pays water and trash; tenant pays electric
Interior Amenities:	Private balcony/patio, kitchen appliances including microwave, mini-blinds, washer/dryer connections, gas fireplace (available), and vaulted ceilings (available)
Project Amenities:	Swimming pool, clubhouse with exercise room, tennis courts, playground, and hot tub
Comments:	Phase III has only one unit vacant as of September 27, 2004.

MARKET COMPARABLE #2

Boulder Springs Apartments

1895 Boulder Springs Drive
Maryland Heights, Missouri

Location:	One mile west of Westport Plaza at the southwest quadrant of Interstate 270 and Page Avenue
Leasing Agent:	Mills Management – (314) 205-1000
Number of Units:	166
Year Built:	2000-2001
Housing Type:	

Unit Type	*Unit Mix*	*Size*	*Rent*	*Rent PSF*
1 BR-1b	32	794 SF	$995	$1.25
2 BR-2b	100	1,125 SF	$1,290	$1.15
2 BR-2.5b TH	24	1,257 SF	$1,335	$1.06
3 BR-2b	10	1,372 SF	$1,520	$1.11

Occupancy:	95%
Security Deposit:	$250 for 1- and 2-BR garden units ($100 of which is non-refundable) $400 for 2-BR TH and 3-BR units ($200 of which is non-refundable)
Concessions:	Two-bedroom garden units: 1 month free rent with a 12-month lease
Utilities:	Owner pays water and trash; tenant pays electric
Interior Amenities:	Private balcony/patio, kitchen appliances including microwave, mini-blinds, crown molding, washer/dryer connections, gas fireplace (available), and vaulted ceilings (available)
Project Amenities:	Swimming pool, clubhouse with fitness center, putting greens, garages (available), car wash, tennis courts, and hot tub
Comments:	This complex is among the newest and most luxurious in West County. The rents are at the top of the market. Complex has very good visibility from I-270, but access is rather difficult.

MARKET COMPARABLE #3

The Boulders at Katy Trail

500 Hemsath Road
St. Charles, Missouri

Location: Near historic St. Charles riverfront
Leasing Agent: Mills Management Number of Units: 242
Year Built: 2003 (completed in December)
Housing Type:

Unit Type	*Unit Mix*	*Size*	*Rent*	*Rent PSF*
1 BR-1b	84 total	649 SF	$830	$1.28
1 BR-1b	1-BR units	766 SF	$910	$1.19
1 BR-1b loft		956 SF	$1,220	$1.28
2 BR-2b	146 total	1,079 SF	$1,315	$1.22
2 BR-2b	2-BR units	1,128 SF	$1,310	$1.16
2 BR-2.5b TH		1,210 SF	$1,465	$1.21
3 BR-2b	12	1,305 SF	$1,580	$1.21

Occupancy: 68%
Security Deposit: $250
Concessions: Two months free rent with a 14-month lease
Utilities: Owner pays trash only; tenant pays water and electric
Interior Amenities: Nine-foot ceilings, kitchen appliances including microwave, dishwasher, and washer and dryer, mini-blinds, fireplace in select units, and crown molding
Project Amenities: Waterscapes, indoor pool, masseuse on-site, mountain bike rental, movie theater with stadium seating, 24-hour fitness center.

Comments: This complex is convenient to I-70 and the Page extension to West County and is also located minutes from Lambert International Airport. It is still in its absorption period, as the last units were finished in December 2003. Rents increased in May, with the exception of the 1,128-SF two-bedroom units, which haven't rented as well.

MARKET COMPARABLE #4

Charter Oak

11907 Charter House Lane
Creve Coeur, Missouri

Location: 40 acres in Creve Coeur, easily accessible to major highways
Leasing Agent: The Michelson Organization, (314) 432-6851
Number of Units: 284
Year Built: 1970; fully renovated, inside and outside, in 2000
Housing Type:

Unit Type	*Unit Mix*	*Size*	*Rent*	*Rent PSF*
2 BR-1b	20	935 SF	$895	$0.96
2 BR-2b	98	1,050 SF	$995	$0.95
2 BR-2b terrace*	16	1,100 SF	$1,015	$0.92
2 BR-1.5b TH	50	1,210 SF	$1,090	$0.90
3 BR-2.5b	24	1,854 SF	$1,395	$0.75
3 BR-2.5b	76	2,270 SF	$1,465	$0.65

**terrace units are ground-level units with no one living above*

Occupancy: 94%
Security Deposit: $300 for 2-BR garden units; $400 for 2-BR TH and 3-BR units
Concessions: One month free rent with a 12-month lease
Utilities: Owner pays a set amount for water, sewage, and trash; remainder paid by tenant (ranges b/w $22 and $38 per month); tenant pays electric
Interior Amenities: Kitchen appliances including microwave, dishwasher, garbage disposal, and icemaker, mini-blinds, wet bars, walk-in closets, wood-burning fireplaces, extra storage, pets welcome, washer/dryers in select units
Project Amenities: Large swimming pool, tennis and basketball courts, 24-hour fitness center, hot tub and saunas, new playground/clubroom, on-site management, 24-hour maintenance, optional covered parking, valet recycling program, furnished corporate suites and available formal dining room, car wash station

Comments: This complex boasts of the largest floor-plans in the St. Louis area.

MARKET COMPARABLE #5

Le Coeur du Monde

2035 Clermont Crossing Drive
Creve Coeur Lake, Missouri

Location: West of I-270, off of Dorsett Road
Leasing Agent: Sentinel – (314) 469-9944
Number of Units: 192
Year Built: 1992
Housing Type:

Unit Type	*Unit Mix*	*Size*	*Rent*	*Rent PSF*
1 BR-1b	na	746 SF	$720	$0.97
1 BR-1b	na	926 SF	$825	$0.89
2 BR-2b	na	979 SF	$845	$0.86
2 BR-2b loft	na	1,159 SF	$970	$0.84

Occupancy: 99%
Security Deposit: $99 (normally $250, this rate is a special promotion)
Concessions: One month free rent with a 12-month lease
Utilities: Owner pays water, sewage, and trash; tenant pays electric
Interior Amenities: Private balconies or patios, kitchen appliances including microwave, dishwasher, garbage disposal, and icemaker, wood-burning fireplaces, washer and dryers in units, mini-blinds, and vaulted ceilings and skylights (available in loft units)
Project Amenities: Swimming pool, sauna, hot tub, tennis courts, free video library, reserved, covered parking available, universal fitness center, high-speed internet available, free fax/copy service clubhouse with entertainment center, fireplace, billiards table, outside storage, private entry, private lake with fountain and gazebo

Comments: None

Market Comparable #6

The Cascades at Time Center

901 Time Center
St. Charles, Missouri

Location:	Just south of I-70 Bridge at Fifth Street				
Leasing Agent:	Mullenix Properties – (636) 947-6466				
Number of Units:	96				
Year Built:	1996				
Housing Type:					
	Unit Type	*Unit Mix*	*Size*	*Rent*	*Rent PSF*
	1 BR-1b	48	759 SF	\$615-\$635	\$0.81-\$0.84
	2 BR-1.5b	12	928 SF	\$750	\$0.81
	2 BR-2b	36	1,064 SF	\$775-\$795	\$0.73-\$0.75

Occupancy: 96%
Security Deposit: $350
Concessions: Lowered rents as follows: $595 for the 1-BR units; $730 for the large 2-BR units
Utilities: Owner pays water and trash; tenant pays electric
Interior Amenities: Private balcony/patio, kitchen appliances including microwave, mini-blinds, washer/dryer connections, ceiling fans, gas fireplace (available), and vaulted ceilings (available)
Project Amenities: Swimming pool, clubhouse with exercise room, tennis courts, jogging trails, laundry room, and hot tub

Comments: This complex is well maintained and is located in St. Charles, just across the I-70 bridge from Maryland Heights. It is located adjacent to Time Center, which was built in the mid 1980s and has over 200 units. The Cascades have a higher occupancy rate compared to the older units at Time Center.

Market Comparable #7

Turnberry Place Apartments

100 Turnberry Place
St. Peters, Missouri

Location:	Near Cave Springs Road and I-370
Leasing Agent:	MLP – (636) 477-0440
Number of Units:	384
Year Built:	2002-2003
Housing Type:	

Unit Type	*Unit Mix*	*Size*	*Rent*	*Rent PSF*
1 BR-1b	36	830 SF	$735-$785	$0.89-$0.95
1 BR-1b w/den	36	1,045 SF	$835-$875	$0.80-$0.84
2 BR-2b	252	1,067 SF	$865-$935	$0.81-$0.88
3 BR-2b	60	1,268 SF	$1,080-$1,120	$0.85-$0.88

Occupancy:	92%
Security Deposit:	$200, $300, or $400 for a 1-BR, 2-BR, and 3-BR, respectively
Concessions:	Two months free rent with 12-month lease
Utilities:	Owner pays water and trash; tenant pays electric
Interior Amenities:	Private balcony/patio, kitchen appliances including microwave, mini-blinds, washer/dryer connections, ceiling fans, gas fireplace (available), and vaulted ceilings (available)
Project Amenities:	Swimming pool, clubhouse with exercise room and business center, spa, tanning bed, tennis courts, garage ($75), and laundry room
Comments:	This complex opened in January 2002. It is a gated residence.

Market Comparable #8

Pheasant Point Apartments

One Prairie Point
O'Fallon, Missouri

Location: Off Highway K, three miles north of Highway 40
Leasing Agent: Mullenix Properties – (636) 379-9181
Number of Units: 376
Year Built: 2001-2002
Housing Type:

Unit Type	*Unit Mix*	*Size*	*Rent*	*Rent PSF*
1 BR-1b	98	831 SF	$705	$0.85
1 BR-1b w/den	98	936 SF	$830	$0.89
2 BR-2b	135	1,159 SF	$910	$0.79
3 BR-2b	45	1,258 SF	$1,115	$0.89

Occupancy: Office would not provide figure
Security Deposit: NA
Concessions: October is free if tenant moves to complex in October; specials change frequently
Utilities: Owner pays water and trash; tenant pays electric
Interior Amenities: Private balcony/patio, kitchen appliances including microwave, mini-blinds, washer/dryer connections, ceiling fans, gas fireplace (available), and vaulted ceilings (available)
Project Amenities: Swimming pool, clubhouse with exercise room, garage ($75), sports courts, and laundry room

Comments: The first units opened in September 2000 and leasing has been disappointing with just over seven units leased per month. Generous concessions have been used to help market the property, but with little success. The property has poor visibility off Highway K which has led to its poor absorption rate.

Summary of Comparable Rental Apartments

We have surveyed eight comparable apartment projects, as summarized in the following table. Only three of the comparable properties offer three-bedroom apartments.

Summary of Comparable Apartments: One- and Two-Bedroom Units

#	Development	Location	I BR Size	Monthly Rent	Rent/SF	2 BR Size	Monthly Rent	Rent/SF
1	Westpark Apartments, III	Maryland Heights	830-878 SF	$740-750	$0.87-0.89	1,027-1,077 SF	$850-935	$0.83-0.87
2	Boulder Springs Apartments	Maryland Heights	794 SF	$995	$1.25	1,125-1,257 SF	$1,290-1,335	$1.06-1.15
3	The Boulders at Katy Trail	St. Charles	649-956 SF	$830-1,220	$1.19-1.28	1,079-1,210 SF	$1,310-1,465	$1.16-1.22
4	Charter Oak	Creve Coeur	NA	NA	NA	935-1,210 SF	$895-1,090	$0.90-0.96
5	Le Coeur du Monde	Creve Coeur	746-926 SF	$720-825	$0.89-0.97	979-1,159 SF	$845-970	$0.84-0.86
6	The Cascades at Time Center	St. Charles	759 SF	$615-635	$0.81-0.84	928-1,064 SF	$750-795	$0.73-0.81
7	Turnberry Place Apartments	St. Peters	830-1,045 SF	$735-875	$0.80-0.95	1,067-1,268 SF	$865-1,120	$0.81-0.88
8	Pheasant Point Apartments	O'Fallon	831-936 SF	$705-830	$0.85-0.89	1,159-1,258 SF	$910-1,115	$0.79-0.89

Summary of Comparable Apartments: Three-Bedroom Units

#	Development	Location	3 BR Size	Monthly Rent	Rent/SF
2	Boulder Springs Apartments	Maryland Heights	1,372 SF	$1,520	$1.11
3	The Boulders at Katy Trail	St. Charles	1,305 SF	$1,580	$1.21
4	Charter Oak	Creve Coeur	1,854-2,270 SF	$1,385-1,46	$0.65-0.75

Rents for the comparable apartment developments in our study range from $615 to $1,580 per month; average rents are above the metropolitan average. The highest rents achieved are in the two developments by Mills Management—Boulder Springs Apartments and The Boulders at Katy Trail. These new, attractive projects offer the highest level of finish of the comparable properties surveyed, and are among the most luxurious new developments in West County and St. Charles.

Selected units at Charter Oak are only slightly behind the Mills projects in terms of rent levels, but the *rent per square foot* levels here are substantially lower, reflecting the largest floor plans in the St. Louis area. On a per square foot basis, the highest rent is $1.28 for a one-bedroom apartment at the brand new Boulders at Katy Trail, with Boulder Springs Apartments close behind at $1.25. The other comparables are clustered together at a lower price point, generally falling in the $0.80 to $0.90 per square foot range.

All of the developments in our study provide attractive unit and complex amenities. Units feature full kitchens and several properties have washers and dryers in all units. Additionally, most developments feature alarm systems/controlled building access, balconies or patios, and luxury finishes including high-quality appliances, fireplaces, oversized bathtubs, and higher grades of wall and floor coverings. The buildings feature amenities that are traditional in the luxury housing market. All developments in the study have fitness centers and private parking, as well as common space for tenants (i.e., pools and/or courtyards).

All of the comparable properties currently offer concessions either in the form of rent reductions or one or two months of free rent with 12 to 14 month leases. Tenants in these properties generally have many housing options, and are renters by choice. With interest rates continuing at historically low levels, however, it has become very difficult for many households to continue to justify paying thousands of dollars in rent when they could purchase new condominiums while maintaining similar lifestyles. Consequently, apartment managers report difficulty in increasing rents during the past two years, although occupancy levels have remained high. In the (likely) event that interest rates eventually rise again, the apartment market is likely to grow and fewer concessions will be necessary.

APPENDIX B: COMPARABLE CONDOMINIUM OPTIONS

In our analysis of the condominium and attached housing market, we reviewed sales activity for new condominium developments. Our survey provides an indication of the size, type, amenities, and sales volume of for-sale projects. We have summarized eight of these projects on the following pages.

The selected projects have been recently completed or are currently under construction. Because of limited new for-sale development in Maryland Heights, we have included in our survey a selection of properties in Creve Coeur, St. Charles, University City and Clayton, several of which are outside the market area. All are mid-rise projects. These projects represent the bulk of new development in or near the market area within the past few years.

Pricing is based on the level of finish of the unit, location, complex amenities, and views. The prices of condos also differ depending on the location (height and position) in the building. Buyers pay a premium for higher units with views.

MARKET COMPARABLE #1

The Summit Lofts

630 Emerson Road
Creve Coeur, Missouri

Location:	Two blocks south of Olive Boulevard and east of I-270, behind the Drury Inn
Developer:	Conrad Properties – (314) 567-1910
Sales Agent:	Patricia Davis
Number of Units:	28 lofts in Phase I (22 completed); traditional condos *planned* for the remaining phases as follows: Phase II – 24 units in a four-story bldg., Phase III/IV – 120 units in two L-shaped five-story buildings
Year Built:	2002-2004 (units completed as demand necessitated)
Date Opened:	June 2002
Housing Type (Lofts only):	

Style	*BRs/Baths*	*Size*	*Price*	*Price PSF*
Freemont	2BR/1.5b	1,352 SF	$293,000	$216.72
Yoran	2BR/1.5b	1,534 SF	$335,000	$218.38
Tiana	2BR/2b	1,682 SF	$367,000	$218.19
Denali	2BR/2b	1,773 SF	$378,000	$213.20
Tennga	2BR/2b	2,082 SF	$473,000	$227.18
Montara	3BR/2b	2,407 SF	$538,000	$223.51
Aberdeen	3BR/2b	2,428 SF	$535,000	$220.34

Number Sold:	14
Condominium Fee:	$290 to $490 per month
Interior Amenities:	Private balcony/patio, 11-foot high ceilings, hardwood floors, track lighting, gas fireplace, high speed internet system, stainless steel kitchen appliances, granite countertops
Project Amenities:	Elevators, secured entry system, underground secured, heated parking, clubhouse with fitness room, full kitchen and party area, and attached in-ground swimming pool
Comments:	Property offers both “contemporary” and “traditional” styles of finish to appeal to both younger and older buyers. Units of Phase II, on the north side of the property, will start around $200,000 and range in size from 1,000 to 1,500 square feet.

MARKET COMPARABLE #2

Mill Crossing

Condominiums

1195 Mill Crossing Dr.

Creve Coeur, Missouri

Location:	Off Olive Blvd., 2 miles west of I-270 between Fernview & Creve Mill Road
Developer:	The Michelson Organization – (314) 205-2100
Number of Units:	72 complete; 144 planned
Year Built:	2001-2002
Date Opened:	January 2001
Housing Types:	

Style	# Completed	BRs/Baths	Size	Price Range	Price Range PSF
Olympic	**24**	**2BR/2b**	**1,170 SF**	**$187,000-$195,000**	**$159.82-$166.67**
Doral	**24**	**2BR/2b**	**1,341 SF**	**$197,000-$215,000**	**$146.91-$160.33**
Seminole	**6**	**2BR/2b**	**1,575 SF**	**$269,000-$275,000**	**$170.79-$174.60**
Cypress	**6**	**2BR/2b**	**1,700 SF**	**$291,000-$295,000**	**$171.18-$173.53**
Riviera	**12**	**3BR/2.5b**	**2,181 SF**	**$372,000**	**$170.56**

Number Sold:	57
Absorption Rate:	1.5 per month
Condominium Fee:	$212 to $399 per month
Interior Amenities:	Elevators, security entry system, private balcony/patio, GE kitchen appliances, gas fireplace, ceramic floors in kitchen and bathroom, carpeted floors in living room and bedroom, crown molding, nine-foot high ceilings, underground secured parking, utility room, and high speed internet service
Project Amenities:	Secured gated community, clubhouse, swimming pool, and landscaped grounds.
Comments:	A traditional "garden style" luxury property, Mill Crossing plans to build 72 more condos, 42 of which will be between 1,400 and 1,600 square feet and priced around $280,000. These will be new models/floor plans, different from those above.

MARKET COMPARABLE #3

Hi-Point Lofts

6340-50 Clayton Road
Richmond Heights, Missouri

Location:	Clayton Road just west of Skinker Avenue and east of St. Mary's Hospital
Developer:	Conrad Properties – (314) 863-1900
Sales Agent:	Kathy Rittenbery
Number of Units:	56
Year Built:	2001-2002
Date Opened:	January 2001
Average Price:	

Style	*BRs/Baths*	*Size*	*Price*	*Price PSF*
Soho	2BR/1.5b	1,352 SF	$300,000	$222
Yerba	2BR/2b	1,534 SF	$354,000	$231
Chelsea	2BR/2b	1,682 SF	$374,000	$222
Milay	2BR/2b	1,773 SF	$394,000	$222
Telluride	2BR/2b	2,082 SF	$472,000	$227
Sedona	3BR/1.5b	2,407 SF	$527,000	$219
Tribeca	3BR/2b	2,428 SF	$544,000	$224

Number Sold:	56
Absorption Rate:	2.4 per month
Interior Amenities:	Private balcony/patio, stainless steel appliances, gas fireplace, hardwood floors, 11-foot high ceilings, track lighting, and high speed Internet service
Project Amenities:	Elevators, secured entry system, heated parking garage and landscaped grounds

Comments: This property consists of two four-story residential loft buildings having an excellent location just west of the St. Louis city limits and Forest Park. The property has excellent access to downtown and Clayton and is within walking distance to restaurants, the Esquire Theater, banks, and a Schnucks grocery store. The property is served by the Clayton School District. The property opened in January 2002 and has sold approximately two to three units per month.

Market Comparable #4

Claymont Place

500 North & South Road
University City, Missouri

Location: North & South Road just south of the Clayton Central Business District and a few blocks north of Delmar on the west side of University City
Developer: Fischer & Frichtel
Sales Agent: Bob (314) 862-0384
Number of Units: 68
Year Built: 2000-2003
Opened: November 2000
Average Price:

Style	*BRs/Baths*	*Size*	*Price*	*Price PSF*
Forsyth	1BR/1b	1,400 SF	$310,000	$221.43
Stratford	2BR/2b	2,011 SF	$452,000	$224.76
Brentmoor	2BR/2b	2,044 SF	$479,000	$234.34
Westmoreland	3BR/2.5b	2,297 SF	$497,000	$216.37

Number Sold: 38
Absorption Rate: One to two units per month
Interior Amenities: Private balcony/patio, appliances, gas fireplace, hardwood floors, nine-foot ceilings, and high speed Internet service
Project Amenities: Elevators, secured entry system, secured heated underground parking, and landscaped grounds

Comments: The property consists of three four-story condominium buildings. Currently, two buildings are completed with the third scheduled to begin in Spring 2004. The second building was completed in Spring 2003 and currently 16 of the 22 units have sold. The property is within walking distance to Downtown Clayton, an array of restaurants, banks, and retail shops, and a grocery store. The property is served by the University City School District. The prices reflect an average for each unit type.

MARKET COMPARABLE #5

The Claytonian

750 South Hanley Road
Clayton, Missouri

Location:	South Hanley Road between Forest Park Parkway and Clayton Road, just south of the Clayton Business District
Developer/Sales:	Conrad Properties
Number of Units:	70
Year Renovated:	2000
Opened:	November 2000
Average Price:	

Building	BRs/Baths	Size	Price	Price PSF
#1	1BR/1b	829 SF	$200,000	$241.25
#1	2BR/2b	1,262 SF	$320,000	$253.56
#1	2BR/1.5b	1,391 SF	$360,000	$258.81
#1	2BR2b	1,720 SF	$420,000	$244.18
#1	3BR/2b	1,794 SF	$500,000	$278.71
#2	2BR/2b	2,106 SF	$520,000	$246.91
#2	2BR/2b	2,505 SF	$550,000	$219.56
#2	3BR/2.5b	2,647 SF	$580,000	$219.11

Number Sold:	70
Absorption Rate:	Three per month
Interior Amenities:	Private balcony/patio (some), stainless steel appliances, gas fireplace, hardwood floors, nine-foot high ceilings, and high speed Internet service
Project Amenities:	Elevators, secure entry system, secure heated underground parking, and landscaped grounds
Comments:	The Claytonian consists of two buildings that were built in 1990 and 1993 as apartment buildings and renovated to condos in 2000: Building One is a four-story building and Building Two is a seven-story building. The property is within walking distance to Downtown Clayton. Most of the absorbed units were sold in 2001 with only a few units selling in 2002, in part because of increased competition in the Clayton area. The prices reflect an average for each unit type.

Summary of Comparable Condominium Developments

The preceding properties represent the most comparable condominium developments in and near the Creve Coeur CBD. The comparable condominium buildings vary in architecture style from three and four-story traditional garden-style buildings to four-story loft buildings with contemporary, open floor plans.

Conrad Properties developed urban style "soft loft" condominiums in Creve Coeur (The Summit Lofts) and Richmond Heights (Hi-Pointe Lofts) that differ from other condos in their open floor plans, higher ceiling heights, and unique interior features such as hardwood floors, tall windows, track lighting, and partial walls. Such properties have been trendy in recent years in Downtown and other areas of the city (mainly Soulard, Lafayette Square, and the Central West End), where former warehouse/manufacturing buildings have been rehabilitated into loft condominiums or apartments.

While the unique architecture of the buildings and loft living have become very fashionable to urban dwellers, the city locations are a drawback to many. Therefore, Conrad Properties brought this type of living to high density suburban locations where there are more convenient retail options and recreation facilities within a short distance. The "soft loft" concept has worked very well at the Hi-Pointe Lofts in Richmond Heights as all 56 units have sold; however, the Summit Lofts was less successful with the concept, prompting the recent decision to change the plans for subsequent phases of the development to a more traditional style.

The remaining condominium projects are traditional, characterized by two to three-bedroom units in three- to four-story elevator buildings with fully equipped kitchens, nine-foot ceilings, carpeting and vinyl (or ceramic) flooring, and patios or balconies. Typically, the buildings are constructed with brick veneer on the front facade and vinyl siding on the sides and rear. Some of the buildings have stone accents or unique woodwork. Typical condo sizes range from 1,250 to 2,500 square feet.

Summary of Comparable Condominiums

Development	Size	Sale Price	BRs	Baths	Total Proposed	Total Built	Units Sold	Average/ Month
The Summit Lofts	1,352 - 2,428 SF	$293,000-$538,000	2-3	1-2	172	22	14	2
Mill Crossing	1,170 - 2,181 SF	$187,000-$372,000	2-3	2-2.5	144	48	57	1-2
Hi-Pointe Lofts	1,352 - 2,428 SF	$300,000-$544,000	2-3	1-2	56	28	56	2-3
Claymont Place	1,400 - 2,297 SF	$310,000-$497,000	1-3	1-1.5	68	22	38	1-2
The Claytonian	829 - 2,647 SF	$200,000-$580,000	1-3	1-2.5	70	70	70	3

All of the projects have reasonably good locations; however, The Summit Lofts, Hi-Pointe Lofts, Claymont Condominiums, and The Claytonian are most comparable to the Westport Plaza site because of their proximity to retailers and office buildings. The location of Mill Crossing is good, but is not within walking distance to these types of amenities. The superior locations of the former projects are reflected in their significantly higher prices.

The condominiums in this study contain between 830 and 3,650 square feet, and floor plans include between one and four bedrooms. Prices range from $187,000 to $580,000 and from $160 to $254 per square foot.

All of the developments in our study provide attractive unit and complex amenities. Individual units feature a very high level of finish, most having full gourmet kitchens and luxury bathrooms. Units in most developments have balconies or terraces, washer and dryer hookups, and high ceilings. Standard property amenities include secure entry and garage parking, and several developments feature door attendants/concierges, swimming pools, decks, fitness centers, and club rooms. We believe that a high level of building amenities is required for the success of most luxury projects.

Though Clayton is still the most popular location for condominium development and commands the highest prices in the St. Louis MSA, the availability of prime sites and wealthy residents has made developers look for new opportunities around the region. Areas such as the Central West End and even downtown St. Louis are increasingly popular. Both Clayton and the Central West End offer an urban atmosphere and pedestrian accessibility to a range of shopping and entertainment destinations, along with close proximity to some of the area's largest employers. These factors, which the CBD area of Creve Coeur shares or can create in many respects, contribute to their attractiveness as luxury residential locations.

APPENDIX C: RESIDENTIAL DEMAND ESTIMATE AND ANALYSIS

Using the household income characteristics for the market area generated by Claritas, Inc., which are summarized in the following table, we can estimate how large a project the site can support.

APARTMENTS

To be able to afford market rate rental housing at rents exceeding $1,000 per month, tenant households would need minimum incomes of approximately $43,000 per year. As incomes rise, the propensity to rent declines substantially. Interest in living at a rental project in this location would taper off as incomes climb above $55,000. There are about 4,760 households in the market area with incomes in this range. We estimate that 25 percent of households in this income range are renters versus homeowners, reducing the number of qualified households to approximately 1,190.

Generally, a single project should not expect to capture more than five to ten percent of the demand for housing. On this basis, the primary market area would support a rental project with approximately 60 to 120 units. With 60 percent of the demand from the primary market, the project could support a total of approximately 100 to 200 units (determined by dividing the primary market demand by 60%). This would suggest that the ideal rental apartment project size is about 150 units.

Market Area Households by Income

Household Income	2000 Census		2004 Estimate		2009 Projection	
Total	32,255		33,047		33,951	
Less than $15,000	3,083	9.56%	2,997	9.07%	2,753	8.11%
$15,000 to $24,999	3,066	9.51%	2,750	8.32%	2,477	7.30%
$25,000 to $34,999	3,982	12.35%	3,819	11.56%	3,227	9.50%
$35,000 to $49,999	5,816	18.03%	5,716	17.30%	5,749	16.93%
$50,000 to $74,999	7,885	24.45%	7,611	23.03%	7,490	22.06%
$75,000 to $99,999	4,177	12.95%	4,786	14.48%	5,167	15.22%
$100,000 to $149,999	3,066	9.51%	3,613	10.93%	4,760	14.02%
$150,000 to $249,999	912	2.83%	1,350	4.09%	1,770	5.21%
$250,000 to $499,999	192	0.60%	290	0.88%	388	1.14%
$500,000 and over	75	0.23%	114	0.34%	171	0.50%

CONDOMINIUMS

The most recent demographic estimates indicate that there are about 33,050 households in the primary market area. This primary market group has a median age of 39 years. From these households must be drawn those who would be most interested in living in a condominium and those who can afford the units to calculate the demand for the subject units.

In 2004, the group of householders in the primary market aged 25 to 34 years had an estimated median household income of $46,415. Those aged 35 to 44 years had an estimated median household income of $54,160 in 2004. Household income increases through age 54 before decreasing gradually through age 64 and then decreases more rapidly as many senior citizens begin to retire.

Given our initial suggestion that units be priced between $230,000 and $440,000, we have limited the number of eligible households to those earning enough to pay the monthly mortgage payments and the other housing costs associated with purchasing a condo in this price range. We estimate the minimum monthly condominium fees and real estate taxes would be $500 ($300 condo fee and $200 real estate taxes) although they would likely exceed $800 for the highest priced units. Based on typical financing terms[16], we estimate that a household will have to earn a minimum of $64,000 per year to afford the lower priced condos ($230,000) at the subject property. This could be lower if a larger down payment can be made, and/or there is lower utility usage, etc., resulting in the lower minimum household income of $55,000.

While there would be no maximum income limit, interest in living at a for-sale project in this location would taper off as incomes climb toward $150,000. Those above this range would have a wide array of large single-family residence options. There are an estimated 14,500 households in the market area with incomes between $55,000 and $150,000. We estimate that 15 percent of households in this income range prefer to rent, reducing the number of target households to approximately 12,300 [14,500 x 85%].

We have not set age limitations since buyers of condominiums are of all ages. While many condo purchasers are established in their careers, successful younger households have purchased condominiums as well as retired persons. For older households (55+) our minimum affordability estimate of $55,000 is likely conservative, since many older persons have mortgages on their homes fully paid for (or very close to it) and have seen great appreciation in their homes over the last 30 years. Many could likely sell their homes and buy the subject condos for cash (or have a much larger down payment) and would only be responsible for real estate taxes, condo fees, minor maintenance, and utilities, or about $750 per month.

Not all people would consider condominium living. Many households (especially those with children) that could afford a condominium would not be interested. While it is impossible to identify how many households in the market area would consider condo living, we can say that 30 percent of the housing units in the primary market area consist of housing structures that contain two or more units, and five percent more are one-unit attached structures. This is due to the large concentration of apartments and condominiums located throughout the primary market area. We assume that the relevant rate of current multifamily or attached residency among income-qualified owners is 25 percent.

In addition to those already living in multifamily settings, the potential market includes older people "downsizing" their homes; currently, 18 percent of all people in the primary market area are aged between 50 and 64, and an additional 7.5 percent are between 65 and 74. Many of these households have money in their current homes, and will be looking for the opportunity to "roll over" their investments into smaller homes. As the population continues to age in the coming decade, the number of these potential buyers will swell. Condominiums, with their maintenance-free lifestyle and smaller size, are a particularly attractive choice for this market segment. We as-

[16] This assumes that a typical purchaser will make a 20 percent down payment and have a 30-year term at 6.0 percent. We have included $100 per month for insurance, $200 per month for taxes, $300 condominium fee, and $150 monthly utility allowance. The combined housing costs should not exceed 35 percent of household income.

sume that 10 percent of all owner households in the primary market fall within the "downsizing" category.

Considering only households currently in attached or multifamily units, plus "downsizing" households, we estimate that 4,300 potential households in the primary market area would be interested in a condominium. A reasonable rule of thumb is that a single for-sale project should not expect to capture more than five percent of the demand for housing; this rule is not precise, but provides a reasonable basis for analysis at this stage. Applying this rule, the primary market area would support a for-sale project with as many as 215 units. The calculations described above are summarized in the following table.

DEMAND ANALYSIS: PRIMARY MARKET AREA	
Total PMA Households	33,047
Income-Qualified Households ($55,000 to $150,000)	14,500
Owner Households (85% of income-qualified households)	12,300
Share of Owner Households in Attached or Multi-family Units (25% of income-qualified owners)	3,100
PLUS: Downsizing Households (10% of income-qualified owners)	1,200
Total Potential Demand from PMA	4,300
Target Capture	5%
Units Supported by Primary Market Area	**215**

The large number of "daytime" workers in the Creve Coeur enables us to estimate additional demand, drawing on households that do not currently live within the primary market area but are nevertheless familiar with and comfortable with the area. There are approximately 105,000 employees in the Creve Coeur/Maryland Heights area. A recent survey conducted at Westport Plaza found that 16.8 percent live within this area; the remainder commute from other parts of the St. Louis region. If the Creve Coeur/Maryland Heights residents (who are included in the primary market area calculations) are subtracted, the result is a base of approximately 87,400 employees who commute into the area. Applying a realistic rate of potential interest in Westport Plaza housing of five percent, yields a pool of approximately 4,000 employees as a potential secondary market. If we assume that the Creve Coeur CBD might capture five percent of this group, it creates the potential for an additional 220 units.

DEMAND ANALYSIS: EMPLOYEE MARKET	
Total Creve Coeur/Maryland Heights Employees	105,000
LESS: Employees who are Creve Coeur/Maryland Heights residents (16.8% of total)	-17,600
Employees Commuting to the Area	87,400
Rate of Interest in Creve Coeur CBD Housing	5.0%
Total Potential Interest from Commuting Employees	4,375
Target Penetration	5.0%
Units Supported by Commuting Employee Demand	**220**

Drawing together these two sets of numbers yields a total potential of 435 units in the downtown Creve Coeur environment.

DEMAND ANALYSIS: TOTAL POTENTIAL MARKET	
Units Supported by Primary Market Area	215
Units Supported by Commuting Employee Demand	220
TOTAL PROJECT POTENTIAL (UNITS)	**435**

ABSORPTION RATE

Recent absorption experience for condominiums in Maryland Heights and Creve Coeur is limited. The Summit Lofts has performed poorly, with sales of less than one unit per month; however, the "soft loft" product offered there, combined with the development's unattractive setting, made a strong performance unlikely. Mill Crossing Condominiums has performed better, with an average absorption of one to two units per month since it opened in January 2001.

Given the limited amount of meaningful absorption experience, we have considered Clayton's two largest condo projects, The Plaza in Clayton and Maryland Walk.

The most successful project has been Maryland Walk, which has seen sales of five to six units per month in its first few months of availability; however, many units were under contract in the first month when anticipation was at its greatest. The Plaza in Clayton has experienced absorption of one to two units per month over the two years it has been on the market. However, The Plaza caters to a select market niche, with most of the remaining units priced well over $1 million.

A review of comparable projects in the market would suggest an absorption rate in the range of two to three units per month. However, we have reason to believe that the proposed condominium development will achieve a better rate. As this report demonstrates, there is a strong potential demand for this type of housing in the Creve Coeur area, particularly in the heart of the price range suggested (specifically, the mid- to upper-$200,000s). At present, this demand is not being met; there are only limited comparable condominium developments available near the CBD, and we are aware of no other plans to pursue one.

For all of these reasons, we have made an estimate of an absorption rate of approximately five units per month, if the units are priced in our concluded price range. We believe that the scale of this project, with its excellent visibility and a strong marketing plan, will enable it to perform on a level with Clayton's Maryland Walk.