



*(DRAFT)*  
**CITY OF KINGSVILLE  
MARKET ANALYSIS**  
KINGSVILLE, TEXAS

Prepared for the Kingsville Chamber of Commerce  
December 6, 2021

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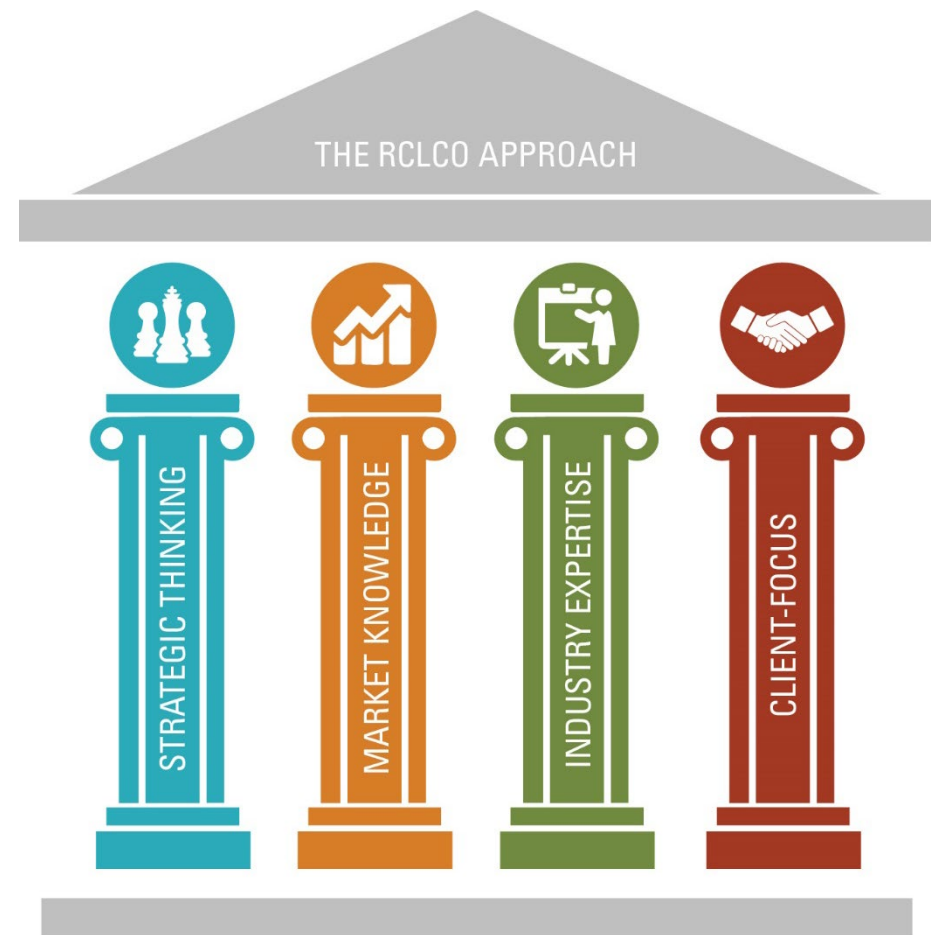
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## REGIONAL AND LOCAL CONTEXT

With a population of approximately 25,000 people, the City of Kingsville shares a storied history, an economy driven by multiple key institutions, and as the county seat of Kleberg County, remains an important part of Texas's Coastal Bend region. Bordered by the famed King Ranch, with which it shares both a long-running history and a namesake, Kingsville is also home to the Naval Air Base Kingsville, a key naval training facility and source of roughly 1,000 jobs, and Texas A&M University Kingsville, with its 7,500 full-time students and approximately 1,000 faculty and staff members. Although the city faced some economic downturns over the past ten years due to a concentration of energy sector jobs, which impacted the Coastal Bend economy as a whole, Kingsville's economically resilient anchor institutions help insulate from economic fluctuations. While these institutions provide stability and bring new households to the area, these sectors are not typically growth engines for the local economy and Kingsville struggles with retaining these households over the long-term, resulting in little to no growth over the past few decades (see pages 7 to 10 for an economic and demographic overview of the area).

## KINGSVILLE MARKET TRENDS

Kingsville's residential market has seen limited activity over the past decade, with only one new rental development and a few for-sale housing communities built since 2010. The current housing stock, including single-family homes and multifamily communities, was largely built in the 1940s to 1980s, during Kingsville's most prolonged period of growth. Local stakeholders point to the lack of new, middle-income housing as a key reason why households who are employed in Kingsville may choose to live elsewhere in the Corpus Christi MSA, in addition to the underperformance of Kingsville schools and limited retail and entertainment options. As construction wraps up on Highway 77 to elevate it to interstate standards and join the Interstate 69-E system, the leakage to Corpus Christi could either accelerate or begin to reverse if Kingsville concentrates its efforts on becoming a community of choice in the region (see pages 15 to 21 for more on Kingsville's residential market).

Similar to the residential market, Kingsville's commercial real estate, including retail and office, has experienced limited growth over the past decade. However, the impact of Interstate 69-E and renewed emphasis on retail attraction has already resulted in

recent wins, with a few national retailers attracted to highway-oriented locations, a trend that is likely to continue. In addition, a few local groups have started to revitalize vacant commercial spaces in downtown Kingsville, including an effort to convert the Texas Theatre to an entertainment venue and restaurant.

## RECOMMENDATIONS AND CONCLUSIONS

While the market opportunities in Kingsville remain limited in comparison to other submarkets in the broader Corpus Christi area, the market has the capacity to support between 35 and 55 new homes per year. The highest demand for new for-sale housing is for homes in the \$150,000 to \$300,000 range, which aligns with mid-to-high household incomes and mostly family buyers. With no purpose-built, single-family rentals in the Kingsville market, there is also an opportunity to add between 50 and 70 new single-family homes for rent per year, with the majority geared towards mid-to-high income households, as well as military families. While multifamily renters are a smaller segment of the market, there could be an opportunity to add a multifamily community consisting of 100-150 units every four to five years.

In order for Kingsville to capitalize on these opportunities, RCLCO recommends that the City seek out partnerships with local developers and investors to concentrate on smaller residential and commercial developments near downtown to create initial momentum and enhance the area's quality of life. A few strategies, highlighted in the development toolkit on pages 27 and 28, including pattern zoning and a downtown Tax Increment Reinvestment Zone (TIRZ), would help augment the City's ongoing economic development efforts and reduce barriers for market growth.

**City of Kingsville**



*Image Source: City of Kingsville*

# KINGSVILLE SWOT ANALYSIS

RCLCO identified the below strengths, weaknesses, opportunities, and threats to Kingsville's future growth:

## STRENGTHS

- ▶ **Strong Anchor Institutions:** Kingsville's history and identity is grounded in three longstanding anchor institutions: Naval Air Station Kingsville, Texas A&M Kingsville, and the famed King Ranch. Military and public sector jobs are critical to Kingsville's economy, with over 1,000 jobs at NAS Kingsville and nearly 300 jobs at the U.S. Customs and Border Protection station. In addition, Texas A&M Kingsville is home to 7,500 full-time students and approximately 1,000 faculty and staff members, serving a key attractor to the area and an important partner for the city's civic institutions.
- ▶ **Appealing Small Town Character:** With a population of approximately 25,000 and a historic downtown, Kingsville has retained some of its small town appeal that can provide a sense of community that is challenging to find in suburban neighborhoods of large metros. With some quality of life enhancements and added residential offerings, Kingsville has the potential to become a "community of choice" for households seeking the small town character and pace of life.

## WEAKNESSES

- ▶ **Job Diversity and Availability:** Several Kingsville leaders and stakeholders mentioned the challenge of attracting industry beyond the major anchor institutions already in town and growing diversity of job opportunities offered to spouses and other household members of employees at these key institutions. For this reason, many employees choose to live in the Corpus Christi MSA and commute to Kingsville to be closer to spousal employment, but there is an opportunity to reverse these patterns as Kingsville evolves into a more attractive, affordable alternate to Corpus Christi.
- ▶ **K-12 Education Quality:** Kingsville ISD has historically underperformed in comparison to other high-achieving school districts in Corpus Christi. The district earned a 84/100 from the Texas Education Agency accountability ratings and scored a 59/100 failing grade on academic growth. For this reason, many families choose to live in the nearby London (94/100 TEA Rating), Tuloso-Midway (89/100 TEA), and Flour Bluff (90/100) school districts. However, Kingsville ISD

recently changed up the composition of the school board and hired a new superintendent, which could improve the school district's reputation over time. As another bright spot, the K-12 schools that are part of the Santa Gertrudis ISD and affiliated with King Ranch and Texas A&M Kingsville are high performing schools, with Academy High School on the TAMUK campus earning a 93/100 rating.

- ▶ **Housing Availability:** As explained more thoroughly in the residential portion of this market study (pages 16-20), there is currently a dearth of quality, affordable housing in Kingsville on both the rental and for-sale side, creating limited options for households looking to move to Kingsville.

## OPPORTUNITIES & THREATS

- ▶ **Interstate 69E Connection:** The process of elevating Highway 77, the main highway cutting through Kingsville, to interstate standards is expected to finish construction by mid-2022. Once complete, Highway 77 will join the Interstate 69E system as part of a key connection between South Texas and the Houston area, likely spurring additional highway-oriented retail in Kingsville. In addition, this will likely cut down on commute times to Corpus Christi by up to 15 minutes, creating better access to Corpus Christi employment from Kingsville, although with a potential downside of exacerbating the leakage issue by enabling more households to live in Corpus Christi and commute to Kingsville.
- ▶ **King Ranch:** As the largest working ranch in the United States, King Ranch covers approximately 825,000 acres of ranching and agricultural land near its namesake town. As a major agribusiness and prominent brand, King Ranch has the potential to bring in more tourism and hospitality spend into the Kingsville area, particularly as King Ranch undergoes a leadership transition.
- ▶ **Infrastructure Improvements:** Kleberg County and the City of Kingsville were the recent recipients of \$46 million in state funding to address drainage concerns and other disaster mitigation infrastructure, which will have long-term benefits for the sustainability, quality of life, and overall resiliency of the area.
- ▶ **Economic Development & Opportunity Zones:** The City of Kingsville has shown a willingness to invest more money into economic development and provide grants to new downtown businesses. This effort, combined with the tax benefits from north Kingsville's Opportunity Zone designation, could begin to move the needle on commercial development.

Source: RCLCO

## REGIONAL OVERVIEW

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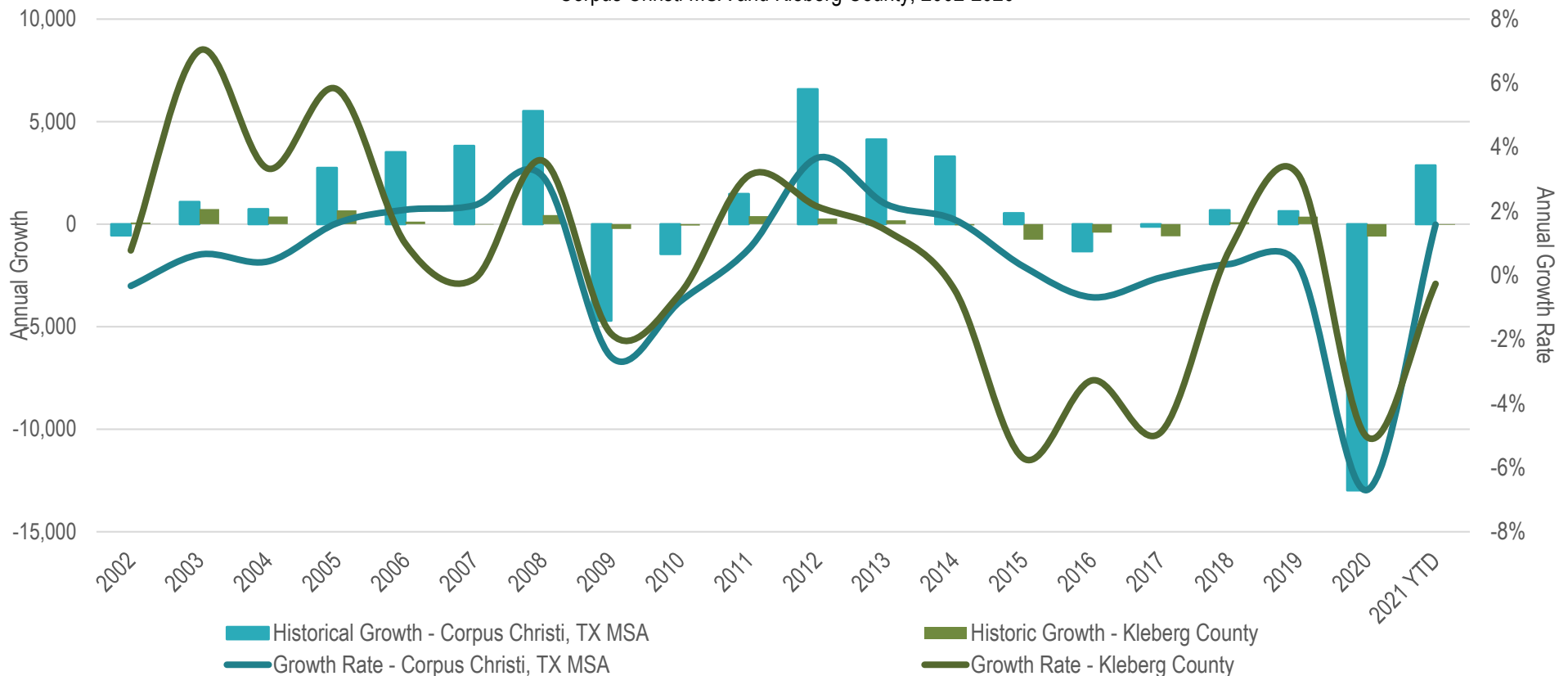
# EMPLOYMENT OVERVIEW

## WITH SIMILAR SENSITIVITIES TO FLUCTUATIONS IN THE OIL & GAS SECTOR, EMPLOYMENT IN KLEBERG COUNTY FOLLOWS CORPUS CHRISTI MSA EMPLOYMENT TRENDS

- ▶ Like many Gulf Coast economies, with a heavy concentrations of downstream refineries and petrochemical jobs, over the past ten years, Kleberg County and the overall Corpus Christi MSA has experienced the impact of both an energy sector downturn from 2015 to 2017 and the COVID-19 pandemic in 2020. In Kleberg County, approximately 2,000 jobs were lost from 2014 to 2017, although stable institutions, such as Texas A&M Kingsville and NAS Kingsville further insulate it from economic fluctuations.
- ▶ In the long-term, Kleberg County employment growth has matched Corpus Christi growth, both area's employment growing an average of just under 1% over the past twenty years. Moving forward, MSA employment is expected to grow at an average of 1.4%, a sign of overall regional growth that will likely extend into Kleberg County.

### Employment Growth

Corpus Christi MSA and Kleberg County; 2002-2020



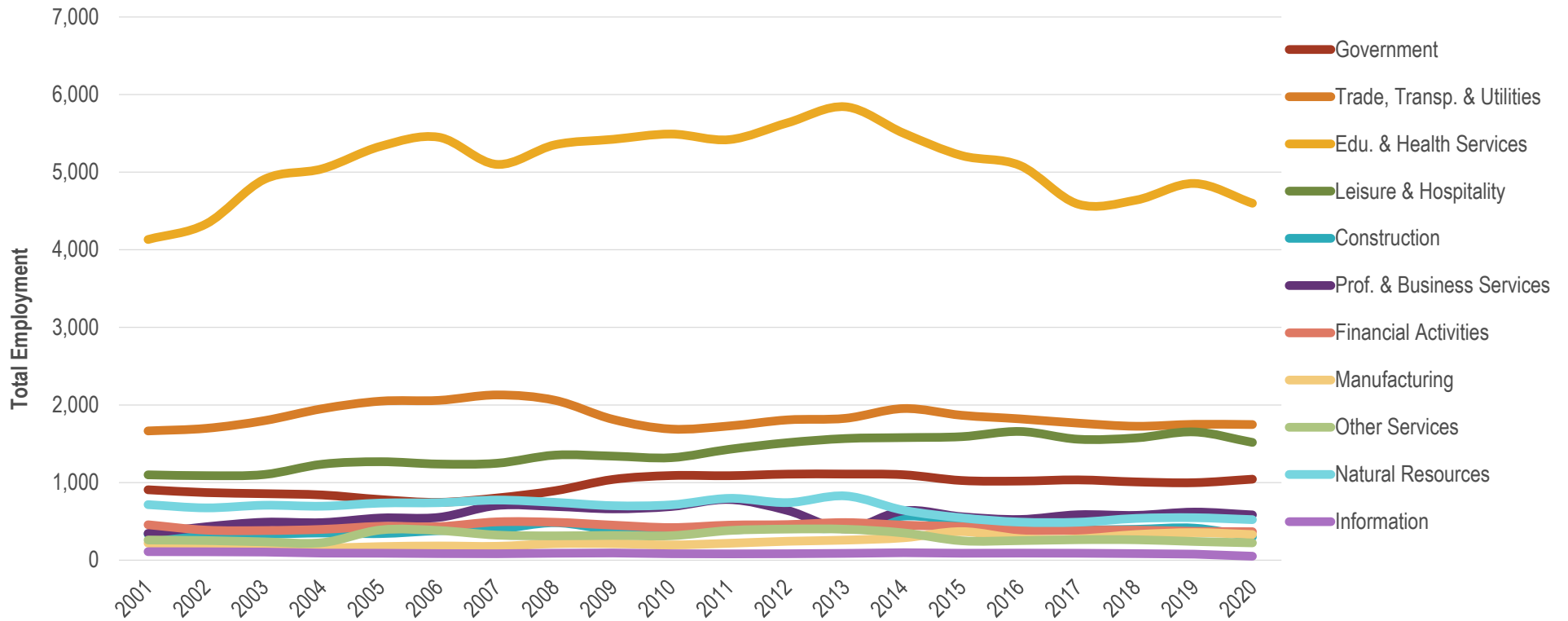
Source: Bureau of Labor Statistics; Moody's Analytics

# EMPLOYMENT OVERVIEW

## COMPRISING OVER 40% OF KLEBERG COUNTY NON-AGRICULTURAL EMPLOYMENT, EDUCATION AND HEALTH SERVICES IS THE COUNTY'S LARGEST INDUSTRY

- ▶ The Education and Health Services sector contains several of Kingsville's largest and most stable employers, including Texas A&M Kingsville, Kingsville ISD, and Christus Spohn Hospital, representing approximately 2,000 jobs combined. However, student enrollment at Texas A&M Kingsville has remained flat to slightly decreasing over the five years, a possible indication of limited growth opportunities in this sector unless new recruitment strategies are implemented.
- ▶ Leisure and Hospitality is one of Kleberg County's fastest growing industries, with employment in the sector growing 15% from 2010 to 2020, likely due to the area's ranchlands and coastal access. Meanwhile, the role the energy sector plays in the Kleberg County economy has reduced over time, with the Natural Resources sector dropping from representing 6.1% of non-agricultural employment in 2005 to 4.6% in 2020.

**Historical Non-Agricultural Employment by Industry**  
Kleberg County; 2001-2020



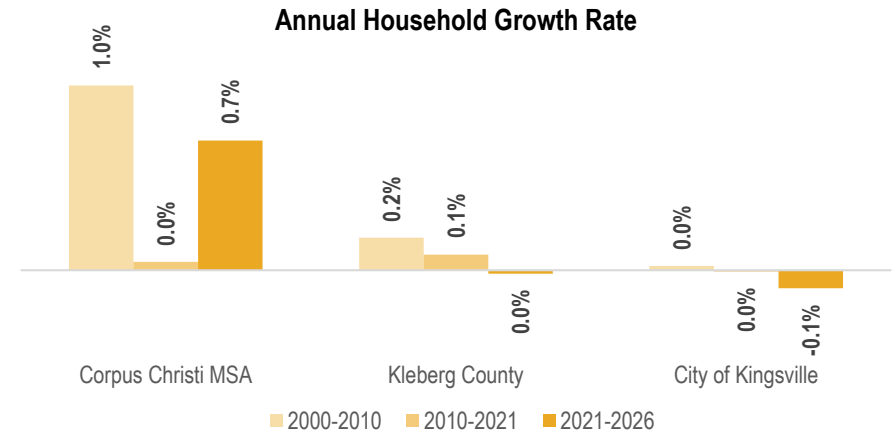
Source: Bureau of Labor Statistics



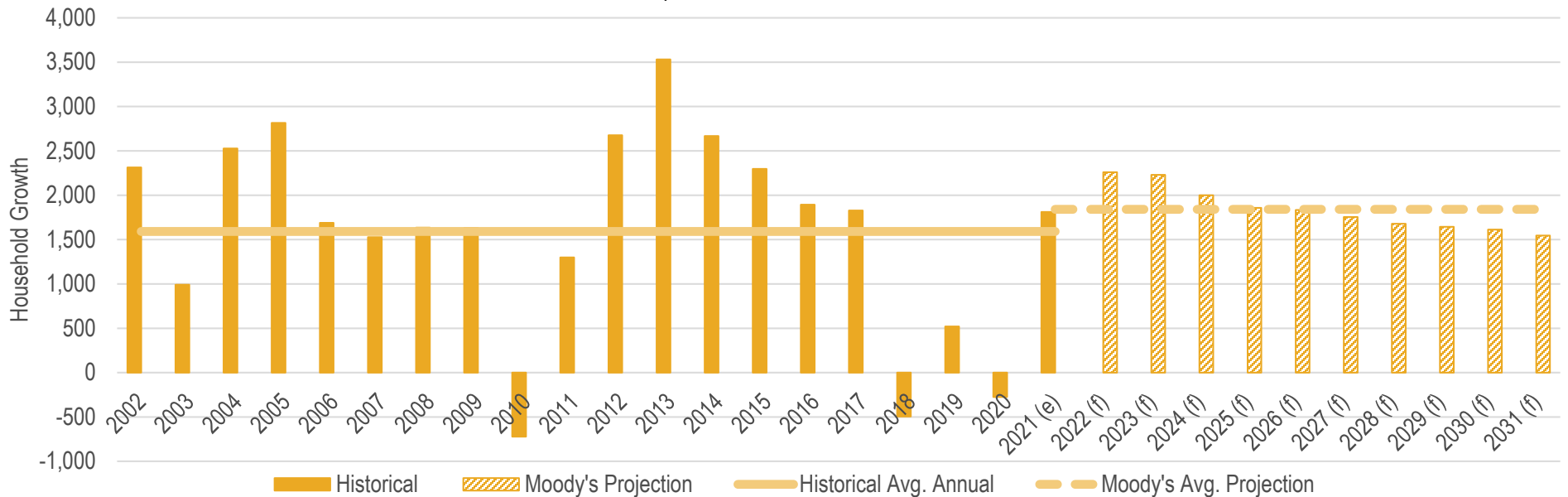
# DEMOGRAPHIC OVERVIEW

## THE CORPUS CHRISTI MSA IS PROJECTED TO EXPERIENCE MODERATE HOUSEHOLD GROWTH, PRESENTING AN OPPORTUNITY FOR KLEBERG COUNTY TO CAPITALIZE ON PROXIMITY AND REVERSE ITS FLAT-LINED GROWTH PATTERNS

Closely tracking employment patterns, the Corpus Christi MSA grew by an average of nearly 2,400 households annually from 2011 to 2016, during the recovery from the Great Financial Crisis (GFC) and rapid growth in the oil and gas section. Following the COVID-19 recession, household growth is expected to match post-GFC growth levels and exceed the long-term average growth by 600 annual households. While Kingsville is not expected to match Corpus Christi's level of household growth, given the proximity and improved interstate access in coming years, the city could begin to capture some of this regional growth by providing affordable residential options and improving quality of life.



**Historical and Forecasted Household Growth**  
Corpus Christi, TX MSA; 2002-2031



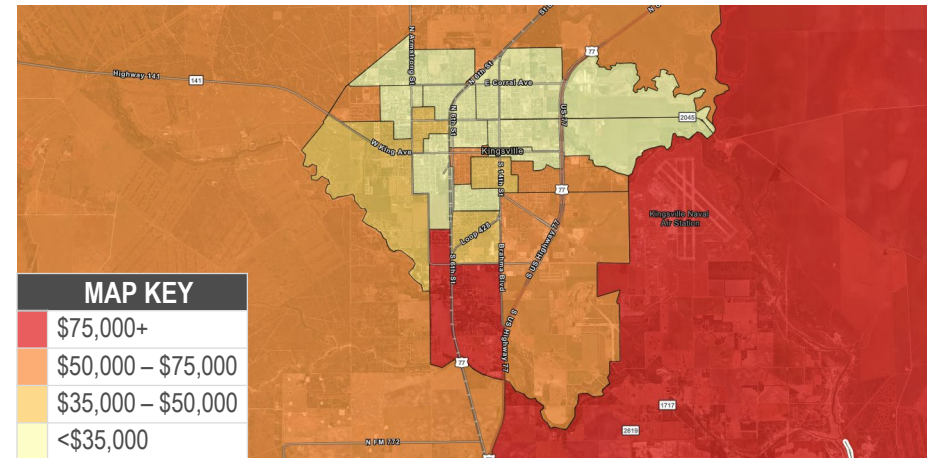
Note: (e) denotes estimated figure; f) denotes forecasted figure;  
Source: Moody's Analytics; Esri; RCLCO

# DEMOGRAPHIC OVERVIEW

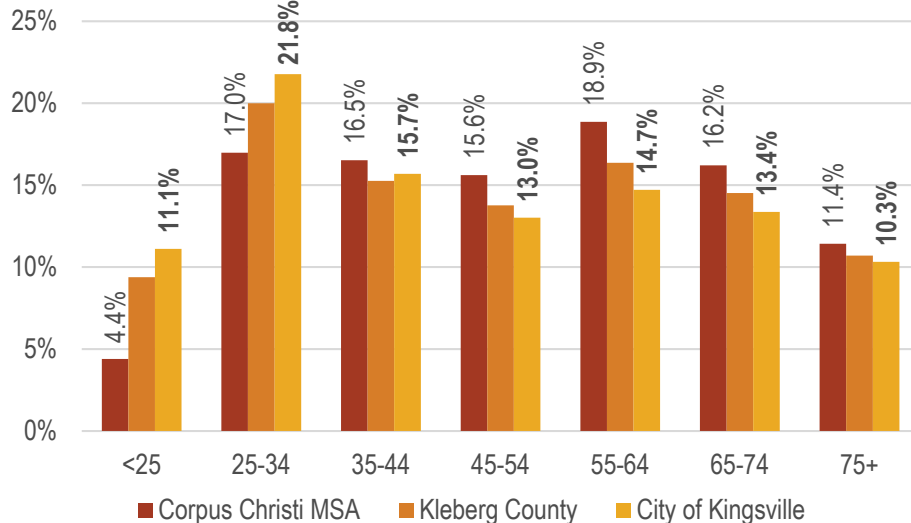
## GIVEN KINGSVILLE'S STUDENT POPULATION, LOCAL HOUSEHOLDS SKEW YOUNGER AND LESS AFFLUENT THAN THE CORPUS CHRISTI MSA

- ▶ **Low to Middle-Income Households:** Nearly 40% of Kingsville's households earn between \$35K and \$100K a year, illustrating a potential market depth of low to middle-income households that has typically been underserved in the housing market.
- ▶ **Rental Propensities:** Despite area's lack of existing large-scale rental communities, roughly 60% of Kingsville households rent, compared to 35% of Corpus Christi MSA households, likely due to the concentration of more transient groups like college students and military households.

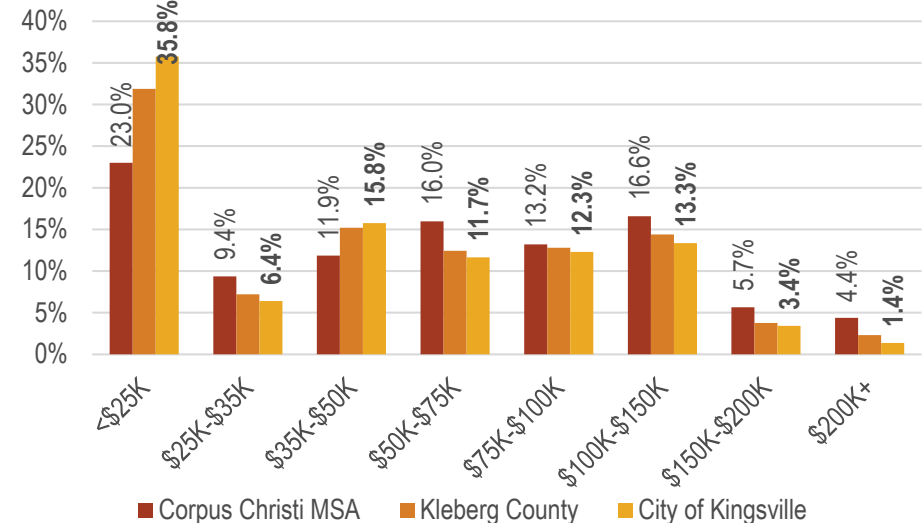
**Median Household Income**  
Kleberg County; 2021



**Household Distribution by Age**  
Corpus Christi MSA, Kleberg County, City of Kingsville; 2021



**Household Distribution by Income**  
Corpus Christi MSA, Kleberg County, City of Kingsville; 2021



Source: Esri; RCLCO

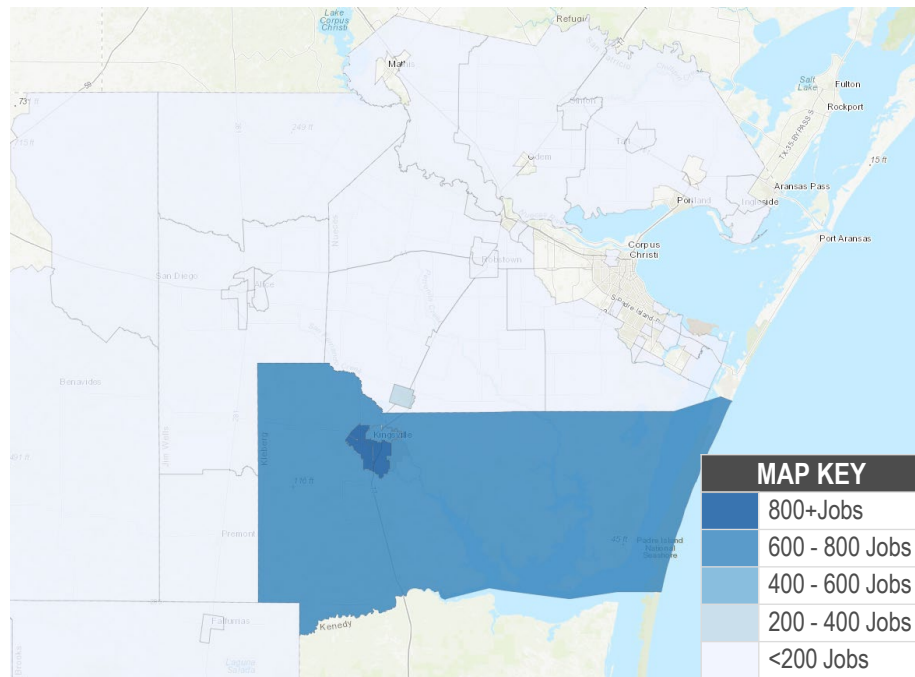
## COMMUTING PATTERNS

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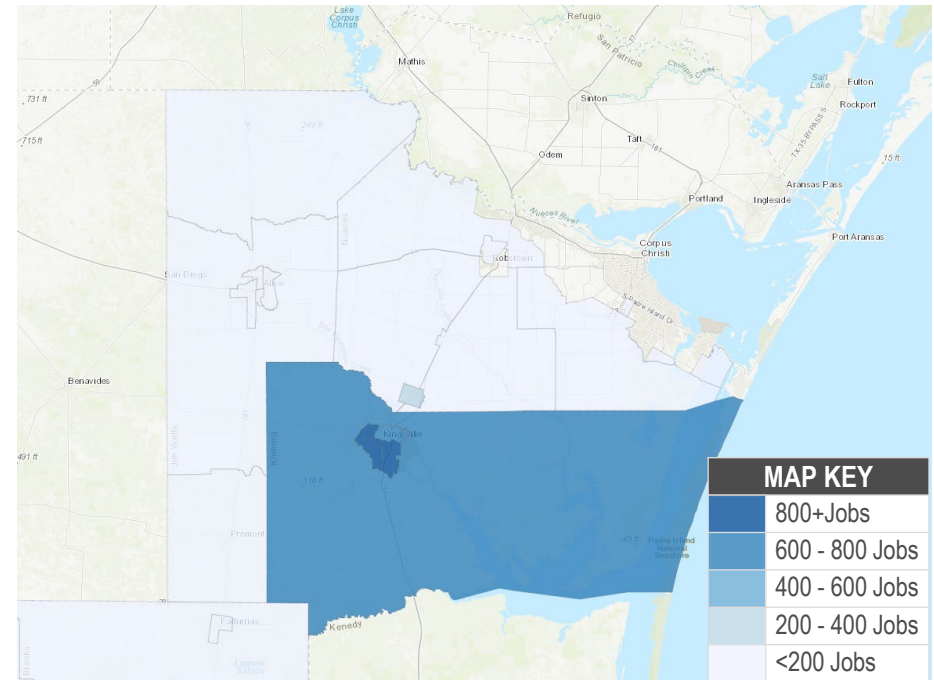
## KINGSVILLE EXPERIENCES SOME LEAKAGE OF POTENTIAL HOUSEHOLDS TO CORPUS CHRISTI, ALTHOUGH KINGSVILLE RESIDENTS BENEFIT FROM ACCESS TO CORPUS CHRISTI EMPLOYERS

- ▶ Approximately 20% of employees who work in Kingsville live 30 to 45 minutes away in the Corpus Christi MSA, primarily in residential Southside neighborhoods. These Kingsville employees might be drawn to living in Corpus Christi because of more residential options, variety of retail and entertainment, and added employment opportunities for spouses or other members of the household.
- ▶ Meanwhile, 20% of Kingsville residents work in the Corpus Christi MSA area, extending into Portland and Ingleside. This base of commuters illustrates the potential of Kingsville to serve as a bedroom community to Corpus Christi, particularly after Highway 77 is converted to part of Interstate 69E and cuts down on travel time.
- ▶ Unless further quality of life enhancements are implemented, improved interstate access does have the potential to exacerbate the leakage of households to Corpus Christi by also reducing the commute time into Kingsville.

**Work Destination of Kingsville Residents**  
City of Kingsville; 2019



**Home Origin of Kingsville Employment**  
City of Kingsville; 2019



Source: Census OnTheMap

# TOP EMPLOYERS

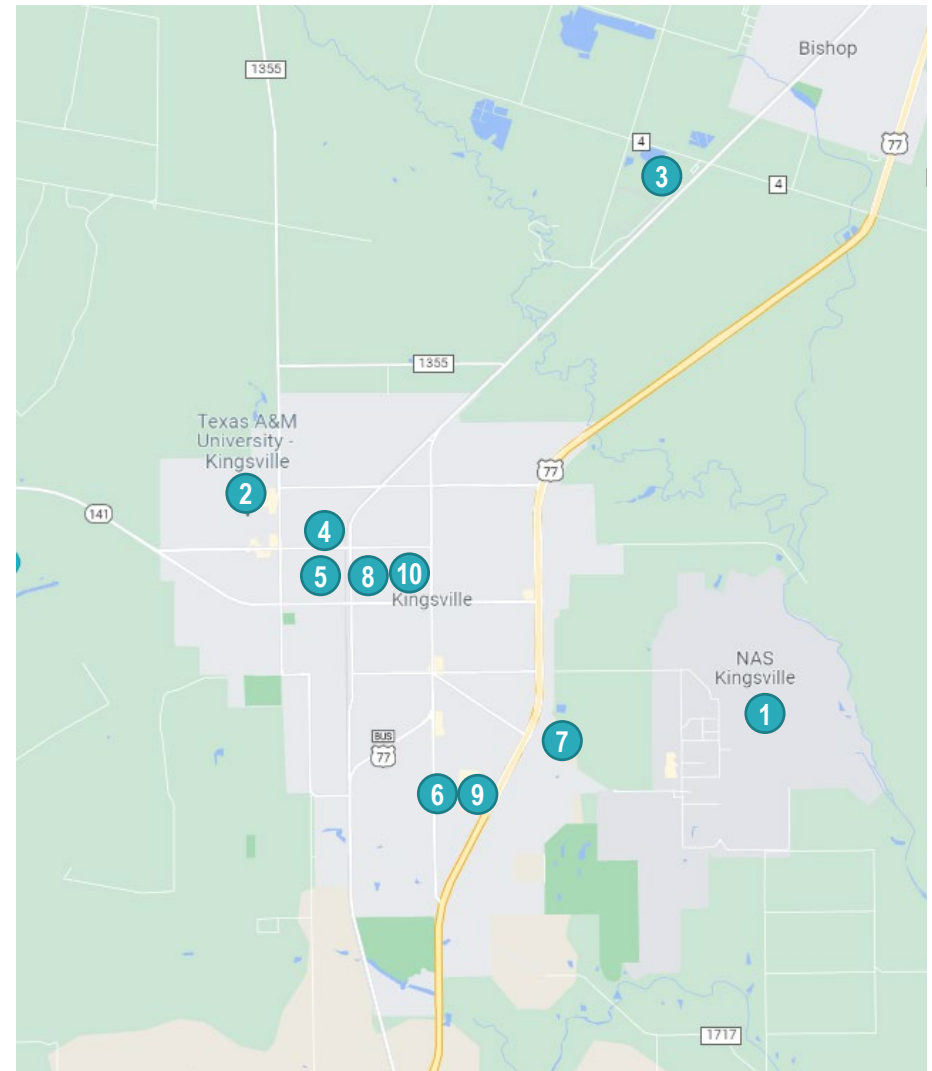
## PUBLIC INSTITUTIONS COMPRISE THE MAJORITY OF KINGSVILLE JOBS, WITH LIMITED ADDITIONS FROM PRIVATE INDUSTRY

- ▶ The top ten employers in Kingsville represent approximately 42% of the city's employment, with the remainder employed through smaller companies or employers located outside of Kingsville.
- ▶ The majority of Kingsville top employers are concentrated in and around historic Downtown Kingsville, with an additional hub in south Kingsville near the highway.
- ▶ Public institutions are six of the top ten employers in Kingsville. Although these anchor institutions are important to Kingsville's economic stability and identity, Kingsville's growth opportunities lie in attracting private industry into town.

**Top Employers**  
City of Kingsville; 2021

MAP KEY	EMPLOYER	NUMBER OF EMPLOYEES
1	NAS Kingsville	1,500
2	Texas A&M Kingsville	950
3	Celanese	600
4	Kingsville ISD	502
5	City of Kingsville	290
6	Walmart	250
7	U.S. Customs & Border Patrol	246
8	HEB	275
9	Christus Spohn Hospital	250
10	Kleberg County	300

**Map of Top Employers**  
City of Kingsville; 2021



# RESIDENTIAL MARKET

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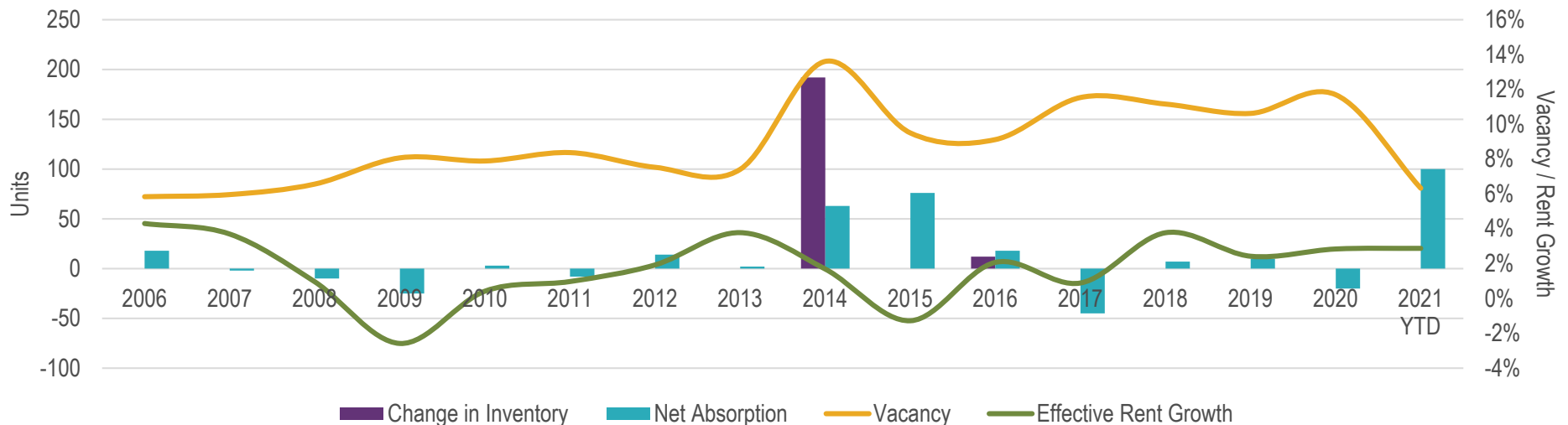
# RENTAL TRENDS

## THE KINGSVILLE RENTAL MARKET IS PRICED AT A DISCOUNT TO CORPUS CHRISTI AND IS DEFINED BY LIMITED INVENTORY GROWTH, FLAT ABSORPTION, AND MODERATE RENT GROWTH

- ▶ In comparison to Corpus Christi, the Kleberg County / Kingsville market has less activity in terms of new project deliveries and absorption but has shown more consistent rent growth and lower vacancies.
- ▶ Given the limited inventory growth, absorption seems to be driven by trends in the regional economy and variation in the household levels for Kingsville's largest rental segments: military households affiliated with NAS Kingsville, who may only be temporarily based in Kingsville, and students and faculty/staff at Texas A&M Kingsville, which provides a stream of renters who may not typically plant more permanent roots in Kingsville.

	KLEBERG COUNTY	CORPUS CHRISTI, TX MSA
<b>CURRENT CHARACTERISTICS (2021 YTD)</b>		
Properties	35	365
Units	1,864	29,983
Avg. Effective Rent	\$894	\$1,057
Vacancy	6.3%	9.8%
<b>SHORT-TERM TRENDS (2016-2020)</b>		
Avg. Rent Growth	2.4%	1.5%
Avg. Vacancy	10.8%	11.3%
Avg. Net Absorption	-6	538
Avg. Completions	2	813

**Apartment Completions, Absorption, Vacancy, and Rent Growth**  
Kleberg County; 2006-2021 YTD



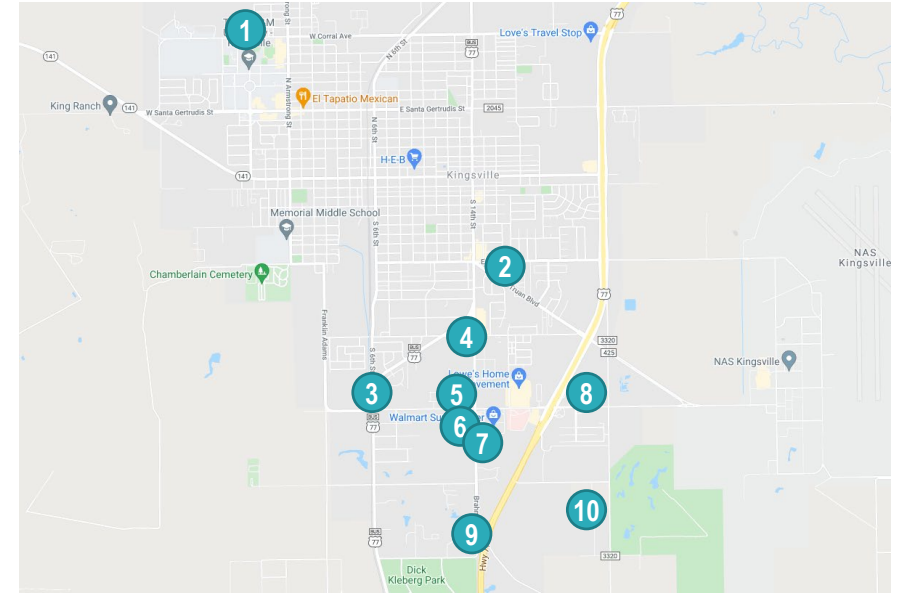
Source: CoStar; RCLCO

## WHILE THERE IS LIMITED NEW RENTAL PRODUCT IN KINGSVILLE, EXISTING COMMUNITIES PERFORM WELL

To further understand the rental opportunity in Kingsville, RCLCO surveyed 10 multifamily communities across the city, with a large concentration near Highway 77 on the south side of town, within close proximity to NAS Kingsville, Walmart, and Christus Spohn Hospital.

- Interviews with leasing agents indicate that renters at multifamily communities include military cadets, officers and contractors, border patrol agents, health care workers, and Texas A&M Kingsville students, faculty, and staff (although most undergrads live on-campus, which has extra capacity because the housing program was planned during a period of higher enrollment).
- The overall market occupancy in Kingsville is currently at 94%, with an average asking rent of nearly \$900 or \$0.99 per square foot. Most multifamily communities were built in the 1970s and 1980s, with only one new midscale rental community, *Oak Tree*, built in the last ten years. However, the newest, highest-quality communities perform strongly, commanding high rents and approaching full occupancy, indicating possible pent-up demand for new, quality rental product.

Rental Communities  
City of Kingsville; 2021



MAP KEY	COMMUNITY NAME	YEAR BUILT	YEAR LAST RENOVATED	MARKET RATE UNITS	OCCUPANCY RATE	AVG. SIZE (SF)	AVG. ASKING RENT	AVG. ASKING \$/SF
1	University Square Apartments	1968	N/A	224	99%	808	\$656	\$0.81
2	Kingsville Pointe	1950	N/A	241	88%	1,139	\$929	\$0.82
3	Kingsman Apartments	1972	N/A	75	91%	685	\$697	\$1.02
4	Canopy Apartments	1974	N/A	64	97%	941	\$823	\$0.87
5	Casa del Rey Apartments	1972	N/A	88	91%	863	\$753	\$0.87
6	Apple Creek Apartments	1984	N/A	121	97%	824	\$820	\$0.99
7	Bordeaux Apartments	1984	2006	120	97%	822	\$859	\$1.05
8	Oak Tree	2014	N/A	192	98%	832	\$1,215	\$1.46
9	Arroyo	1972	N/A	61	95%	903	\$729	\$0.81
10	Hawks Landing	1997	2016	102	98%	1,102	\$1,268	\$1.15
<b>AVERAGE</b>		<b>1979</b>	<b>2011</b>	<b>129</b>	<b>94%</b>	<b>907</b>	<b>\$894</b>	<b>\$0.99</b>

Source: Leasing agent interview; Property website; Axionetrics; CoStar; RCLCO



## DEMAND DRIVERS & POTENTIAL OPPORTUNITIES

Likely due to the impact of NAS Kingsville and Texas A&M Kingsville, the largest rental pool is low-to-mid income households under the age of 35, comprising 52% of annual rental demand. In addition, 60% of demand is for single-family rentals, largely generated by the significant representation of family renters and mature households – nearly 50% of overall annual rental demand comes from families.

With no purpose-built single-family rentals in the Kingsville market, there is an opportunity to add between 50 and 70 new single-family homes for rent per year, with the majority geared towards mid-to-high income households earning over \$50,000 per year. These income levels also align with Texas A&M Kingsville faculty and high-level administrators, who would be more attracted to living in Kingsville if high-quality housing were available.

While multifamily renters are a smaller segment of the market, there could be an opportunity to add a midscale multifamily community consisting of approximately 100 to 150 units every four to five years, primarily renting at higher price points than the current average asking rent of roughly \$900. There are currently parcels in southern Kingsville near the hospital and NAS Kingsville and to the north near TAMUK that would be suitable for multifamily development over the long-term due to their size and proximity to anchor institutions.

**Annual Single-Family & Multifamily Renter Demand by Age and Income**  
Kleberg County; 2021 – 2026

INCOME	AGE					TOTAL
	<25	25-34	35-54	55-64	65+	
UNDER \$50,000	313 24%	363 28%	143 11%	50 4%	26 2%	895 70%
\$50,000 - \$74,999	54 4%	62 5%	33 3%	9 1%	3 0%	161 13%
\$75,000 - \$99,999	28 2%	46 4%	28 2%	8 1%	2 0%	111 9%
\$100,000 - \$149,999	15 1%	44 3%	27 2%	5 0%	1 0%	92 7%
\$150,000 AND OVER	2 0%	8 1%	5 0%	2 0%	0 0%	17 1%
<b>TOTAL</b>	<b>411 32%</b>	<b>524 41%</b>	<b>237 19%</b>	<b>73 6%</b>	<b>32 3%</b>	<b>1,276 100%</b>

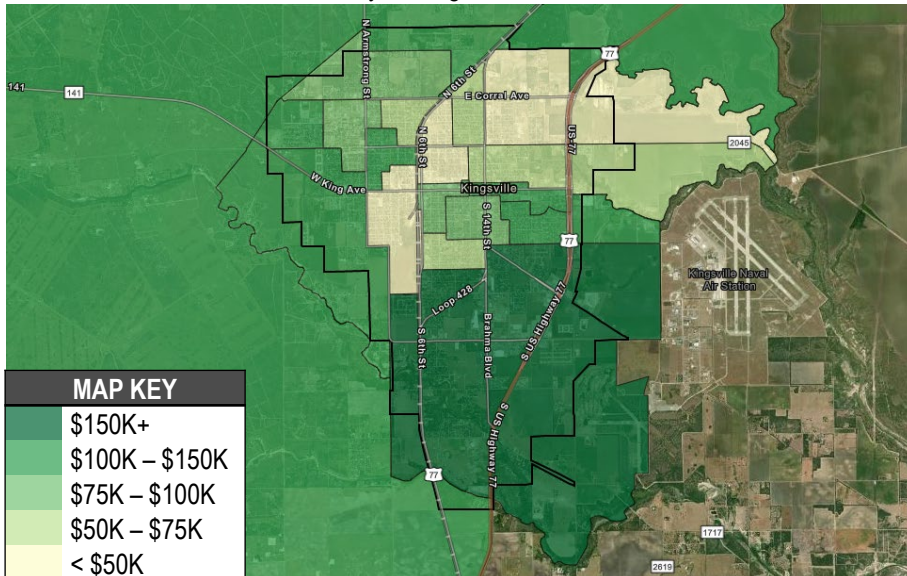
**Annual Demand for New Units by Income and Rent Range**  
Kleberg County; 2021 – 2026

SUMMARY OF DEMAND BY INCOME AND RENT RANGE							
INCOME RANGE	RENT RANGE	ANNUAL SINGLE-FAMILY RENTAL DEMAND FOR NEW UNITS		ANNUAL MULTIFAMILY RENTAL DEMAND FOR NEW UNITS		TOTAL ANNUAL RENTAL DEMAND FOR NEW UNITS	
		Units	%	Units	%	Units	%
UNDER \$35,000	UNDER \$1,000	19	29%	13	30%	31	30%
\$35,000 - \$49,999	\$1,000 - \$1,200	8	12%	6	15%	14	13%
\$50,000 - \$74,999	\$1,200 - \$1,450	12	19%	8	20%	20	19%
\$75,000 - \$99,999	\$1,450 - \$1,800	10	16%	6	15%	17	16%
\$100,000 - \$149,999	\$1,800 - \$2,250	12	19%	6	16%	18	18%
\$150,000 AND OVER	\$2,250 AND OVER	3	5%	1	4%	4	4%
<b>Total</b>		<b>63</b>	<b>100%</b>	<b>41</b>	<b>100%</b>	<b>104</b>	<b>100%</b>

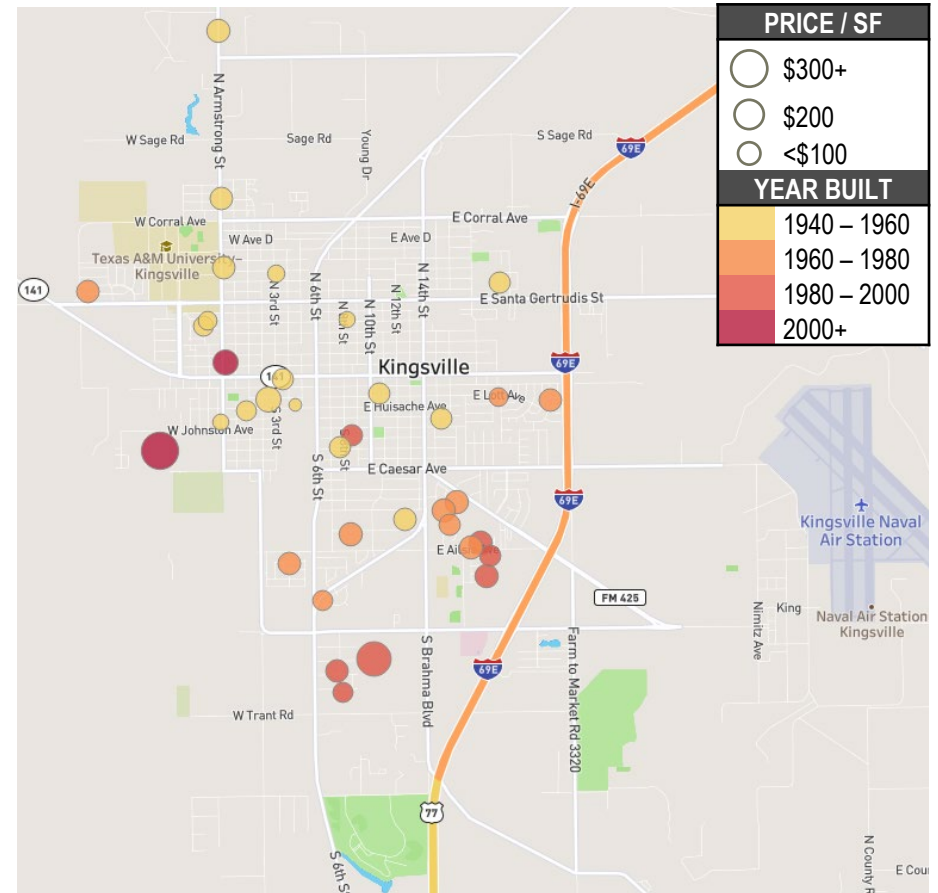
## THE KINGSVILLE FOR-SALE SUPPLY TYPICALLY SKEWS OLDER, WITH NEWER, MORE EXPENSIVE HOMES CONCENTRATED IN THE CITY'S SOUTHSIDE

- ▶ The majority of Kingsville's for-sale housing stock was built between 1940 and 1980s. Over time, the path of growth shifted from Kingsville's downtown core down to the city's southside neighborhoods, capitalizing on proximity to NAS Kingsville and the hospital.
- ▶ Median home values are the lowest in the city's northeast neighborhoods and increase in the areas most proximate to Kingsville's anchor institutions. These anchor institutions will likely be key to supporting new housing development in the future.

Median Home Value by Census Block  
City of Kingsville; 2021



Sample of For-Sale Listings  
City of Kingsville; Q3 2021

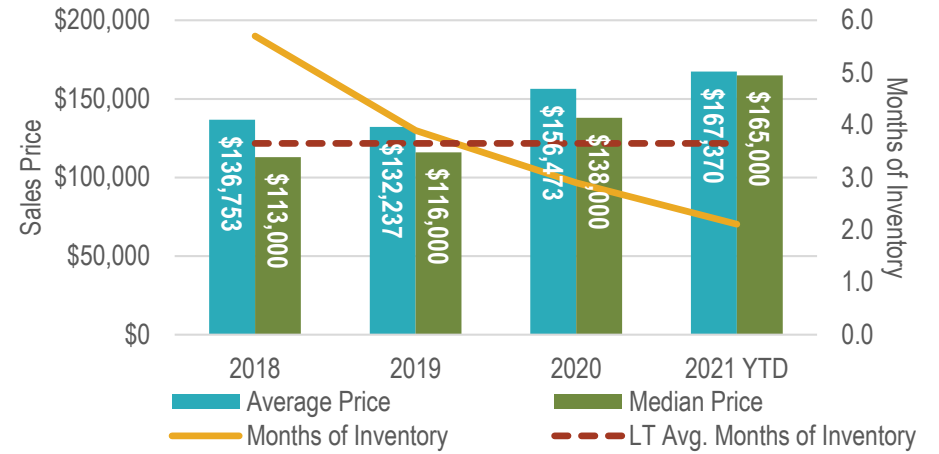


	LISTING PRICE	SQUARE FEET	YEAR BUILT	\$/SF
<b>Average</b>	\$191,643	1,894	1962	\$101
<b>Q1</b>	\$114,925	1,233	1949	\$93
<b>Median</b>	\$168,250	1,518	1958	\$111
<b>Q3</b>	\$212,188	2,202	1971	\$96

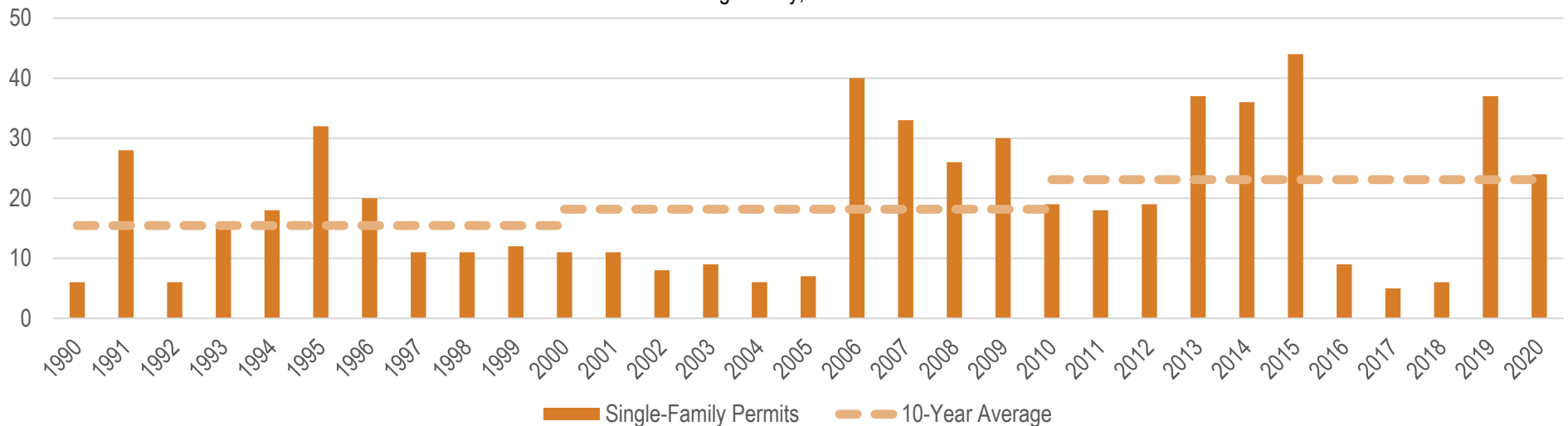
## ALTHOUGH KINGSVILLE HOME PRICES HAVE INCREASED OVER THE PAST FEW YEARS, IT REMAINS A MORE AFFORDABLE MARKET TO CORPUS CHRISTI

- ▶ Kingsville's median and average home prices increased 46% and 22% respectively from 2018 to 2021 to date. However, in comparison the Corpus Christi's current median home price of \$260,000, the Kingsville market remains significantly more affordable, particularly to low- and middle-income households.
- ▶ Similar to many Texas markets, Kingsville's inventory has been decreasing over the past several years and is currently at an all-time low. Local realtors and stakeholders have corroborated the lack of adequate supply. The current months of inventory of 2.1 months is similar to Corpus Christi's 2.1 months, demonstrating a similar level of demand and competitiveness.
- ▶ While permitting activity has increased on average over the past ten years, it likely remains below the levels required to replace an aging household stock and provide quality housing to households moving to the area.

**For-Sale Single-Family Residential Trends**  
City of Kingsville; 2018-2021 YTD



**Annual Single-Family Permits**  
Kleberg County; 1990 – 2020



Source: HUD; South Texas MLS; Texas Realtors; Texas A&M University Texas Real Estate Center.

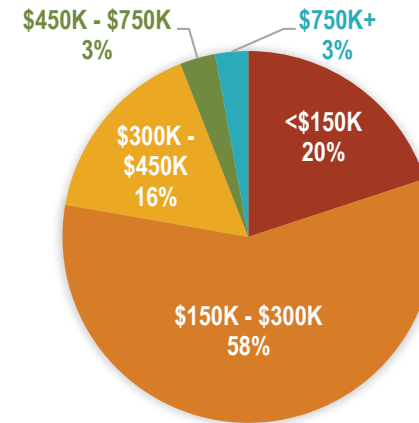
## DEMAND DRIVERS & POTENTIAL OPPORTUNITIES

The Kingsville market has the capacity to support between 35 and 55 new for-sale homes per year. The highest demand for new for-sale housing is for homes in the \$150,000 to \$300,000 range, which aligns with mid-to-high household incomes and mostly family buyers. This demand could be met through groups of small local and regional builders and investors planning 10-15 homes each in different parts of town. There is particular need for new infill housing in the smaller parcels near downtown, as a residential household base would help energize downtown redevelopment. Developers interested in developing larger single-family communities could also consider splitting the community into for-sale and rental phases to capitalize on the concentration of family renters in the area.

**Annual Owner Demand for New Units by Age and Income**  
Kleberg County; 2021 – 2026

INCOME	AGE					TOTAL
	<25	25-34	35-54	55-64	65+	
UNDER \$35,000	0 1%	0 1%	1 2%	1 2%	2 4%	<b>4</b> <b>9%</b>
\$35,000 - \$49,999	1 1%	1 1%	1 2%	1 2%	2 4%	<b>5</b> <b>10%</b>
\$50,000 - \$74,999	1 3%	1 2%	2 4%	1 3%	1 3%	<b>6</b> <b>14%</b>
\$75,000 - \$99,999	1 2%	3 6%	3 6%	2 4%	1 3%	<b>9</b> <b>21%</b>
\$100,000 - \$149,999	2 5%	5 10%	5 10%	2 5%	2 3%	<b>15</b> <b>34%</b>
\$150,000 - \$199,999	0 0%	1 3%	1 3%	1 2%	0 1%	<b>4</b> <b>8%</b>
\$200,000 AND OVER	0 0%	1 1%	1 1%	1 1%	0 1%	<b>2</b> <b>5%</b>
<b>TOTAL</b>	<b>6</b> <b>12%</b>	<b>11</b> <b>23%</b>	<b>13</b> <b>29%</b>	<b>8</b> <b>17%</b>	<b>9</b> <b>19%</b>	<b>46</b> <b>100%</b>

**Demand for New Units by Affordable Home Price**  
Kleberg County; 2021 – 2026



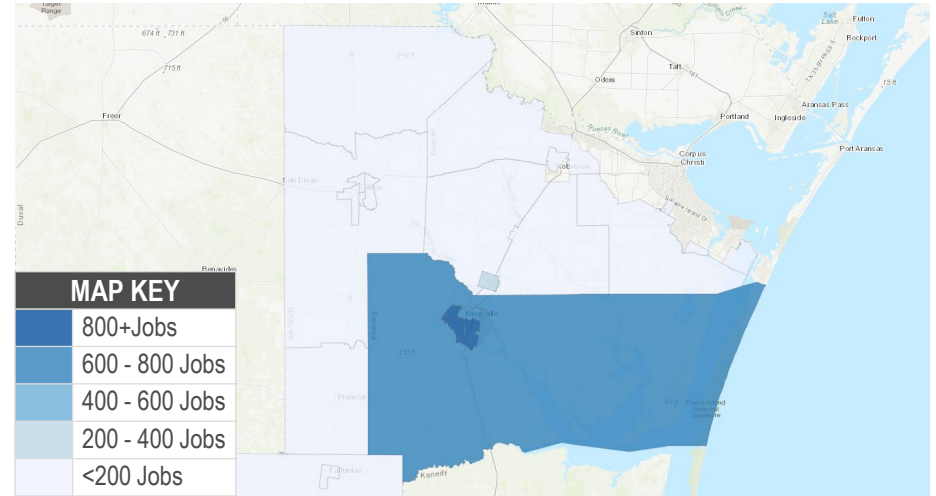
**SUMMARY OF DEMAND BY AFFORDABLE HOME PRICE**

PRICE RANGE	ANNUAL OWNER DEMAND FOR NEW UNITS	
UNDER \$150,000	9	20%
\$150,000 - \$299,999	27	58%
\$300,000 - \$449,999	7	16%
\$450,000 - \$749,999	1	3%
\$750,000 AND OVER	1	3%
<b>Total</b>	<b>46</b>	<b>100%</b>

## IF KINGSVILLE BEGINS TO PROVIDE MORE QUALITY HOUSING AND COMPELLING RETAIL AND ENTERTAINMENT OPTIONS, IT COULD BEGIN TO ATTRACT MORE KINGSVILLE-EMPLOYED CORPUS CHRISTI HOUSEHOLDS

- ▶ Based on the 20% of Kingsville employees who are currently living in the Corpus Christi MSA, there would be opportunity to attract 50-60 additional renter households and 10-15 owner households to the Kingsville area from Corpus Christi. While the scale of the opportunity is relatively small, this trend could grow over the long-term as Kingsville develops its housing stock and implements some quality of life improvements, in addition to increased spousal employment opportunities, which would lead more households to consider living in Kingsville.
- ▶ As construction on Interstate 69-E wraps up in the near term, shortening the commute time between Kingsville and Corpus Christi, it could enhance Kingsville's ability to serve as a bedroom community to Corpus Christi, but it could also exacerbate the trend of Kingsville employees living in Corpus Christi. However, if more quality, affordable housing options were available, and the local school district improves, Kingsville could become a more attractive and affordable option to Corpus Christi, where the median house price is currently \$260,000.

Home Origin of Kingsville Employment  
City of Kingsville; 2019



	EMPLOYMENT
2021 Kingsville Employment	12,000
% of Kingsville Employees Living in Corpus Christi	20%
Total Kingsville Employees Living in Corpus Christi	2,400

	RENTERS	OWNERS
% Tenure	40%	60%
Total Households	960	1,440
% in Turnover	30%	5%
Households in Turnover	288	72
% Consider Kingsville	20%	15%
<b>Upside to Kingsville Demand from Corpus Christi Households</b>	<b>58</b>	<b>11</b>

Source: Census OnTheMap; RCLCO

# COMMERCIAL MARKET

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**KINGSVILLE HAS LIMITED STOCK OF NEWER OFFICE AND RETAIL PRODUCT, MOST OF WHICH IS NEIGHBORHOOD-ORIENTED. RECENTLY, NATIONAL RETAILERS HAVE ENTERED THE MARKET, PRIMARILY ALONG HIGHWAY 77**

- ▶ Recent retail wins include the opening of Marshalls, Harbor Freight, Chick-fil-a, and Starbucks in South Kingsville, with the latter two occupying highway-visible retail space. As Highway 77 joins the I-69E system, more national retailers will likely become attracted to the Kingsville market with higher traffic counts.
- ▶ Most commercial land uses are concentrated in either south Kingsville, near the existing Walmart, and downtown Kingsville. Downtown Kingsville, in particular, has the potential to become a lively main street hub, as more historic storefront spaces are renovated and occupied. A few local groups are in the process of opening a new entertainment/restaurant concept at the old Texas Theatre, and there are talks of new boutiques and wine bars opening in the near future.
- ▶ Most of the existing rentable office space skews older and is occupied by small, neighborhood-serving, flex, and medical offices. The average office building was built between 1960 and 1980 and occupies under 10,000 square feet.

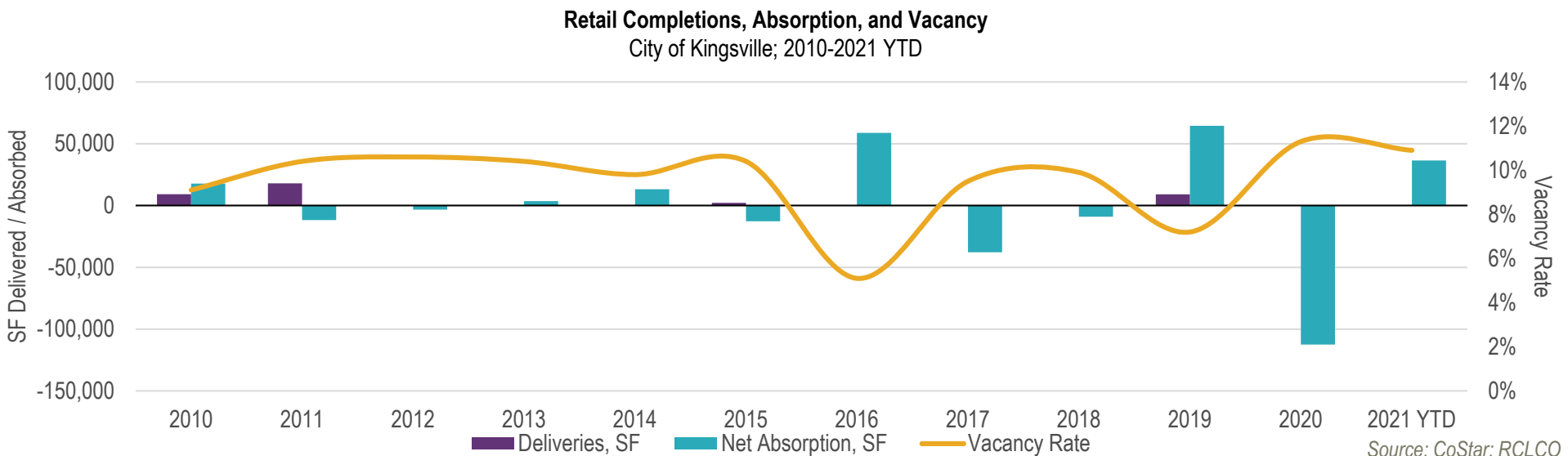
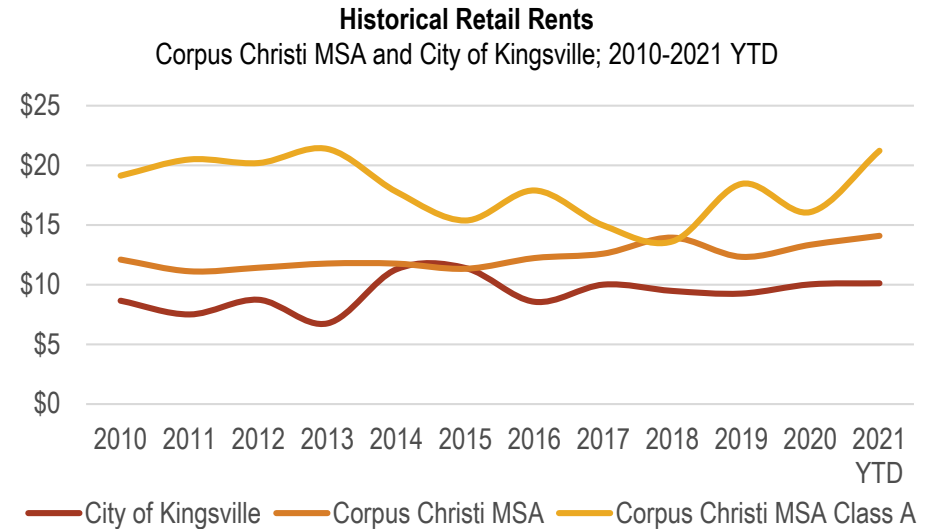
**Retail and Office Properties, Built After 2010**  
City of Kingsville; 2021



Source: CoStar; RCLCO

## KINGSVILLE IS A MORE AFFORDABLE ALTERNATIVE TO RETAIL LOCATIONS IN CORPUS CHRISTI, ALTHOUGH CHALLENGED BY VACANCIES AND ABSORPTION ISSUES

- ▶ The Kingsville retail market has seen little activity, with very few new deliveries. Most new retail tenants, including national retailers, have opened in existing retail structures. Retail vacancy has hovered around at an average of 9% over the past five years, more than double Corpus Christi MSA's 4% average vacancy rate, an indication that available space has outpaced demand. The significant negative absorption in 2020 could likely be the result of pandemic-related store closures.
- ▶ Retail NNN rents in Kingsville have remained stable, in the \$9 to \$11 per square foot range for the past five years. This represents a 25% discount to Corpus Christi MSA retail rents and could attract some retailers looking to capitalize on interstate visibility.
- ▶ Although there is limited household growth for a significant retail opportunity, RCLCO estimates that the primary retail opportunities lie in bringing in national retailers to highway-oriented establishments in South Kingsville, adding food and beverage options near the university, and most significantly, incentivizing more independent shops and restaurants to open and support the revitalization of downtown Kingsville.



Source: CoStar; RCLCO

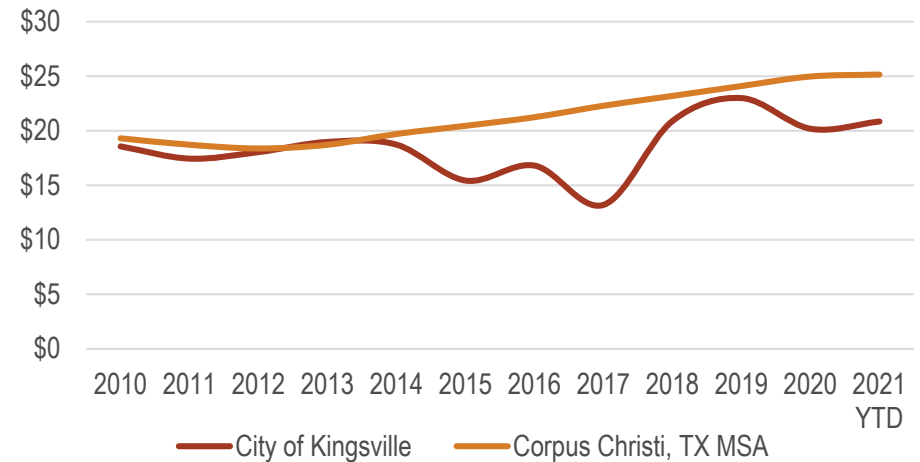


# OFFICE TRENDS & OPPORTUNITIES

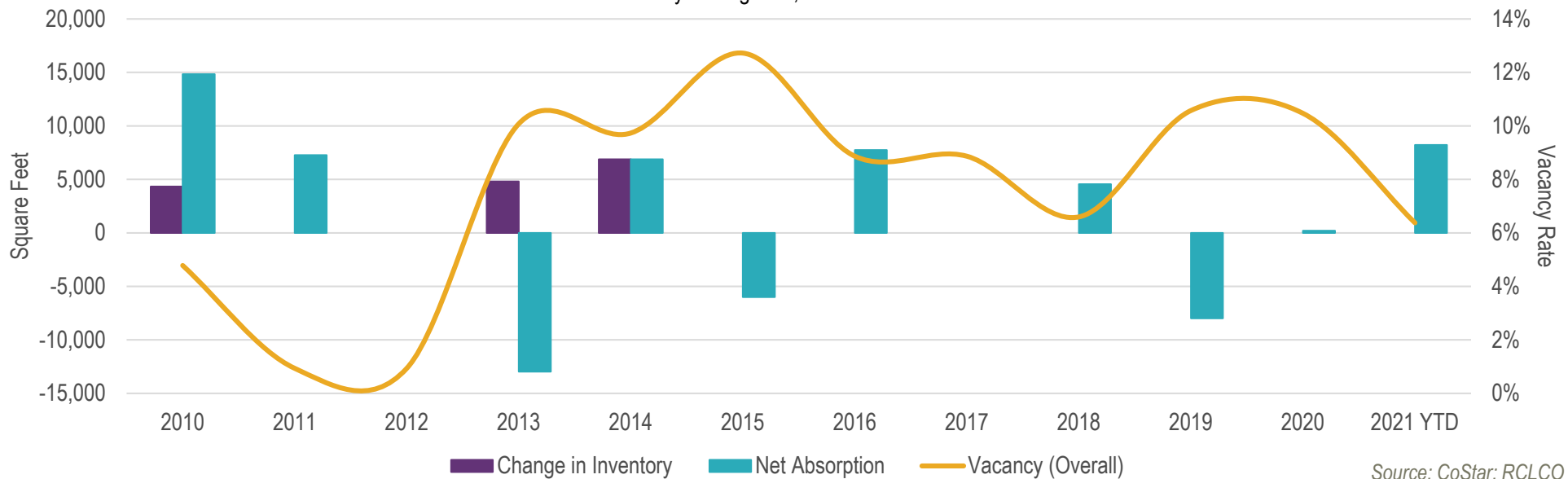
## THE KINGVILLE OFFICE OPPORTUNITY IS LIKELY LIMITED TO SMALL NEIGHBORHOOD-SERVING AND MEDICAL OFFICE

- ▶ Office space in Kingsville is primarily neighborhood-serving, characterized by smaller footprint neighborhood deliveries, lower base rents PSF (\$20 PSF versus \$25 PSF in the Corpus Christi MSA currently), and similar vacancies as the MSA, with an 8% 5-year average vacancy for both Kingsville and the MSA, although Kingsville experiences more fluctuations in vacancy due to the smaller inventory.
- ▶ Similar to the retail market, there is limited growth to support significant office development, although RCLCO estimates that there is potential to turn currently empty storefronts in downtown Kingsville into higher-quality neighborhood-serving office spaces for realtor, law, and accounting practices. There is also an opportunity to add additional medical office as a natural extension of the Christus Spohn Hospital to help serve an aging population.

**Historical Office Rents**  
Corpus Christi MSA and City of Kingsville; 2010-2021 YTD



**Office Completions, Absorption, and Vacancy**  
City of Kingsville; 2010-2021 YTD



Source: CoStar; RCLCO

## OPPORTUNITIES & TOOLKIT




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## THE FOLLOWING TOOLS ARE AVAILABLE TO KINGSVILLE TO SPUR NEW DEVELOPMENT AND JUMP-START GROWTH:

PROGRAM	PATTERN ZONING	TAX INCREMENT REINVESTMENT ZONE (TIRZ)
<b>Description</b>	<p>Pattern zoning is a technique intended to lower barriers to executing high-quality, incremental infill projects. Working with vernacular styles and local climate conditions, pattern zoning uses preapproved plans for various single-family and small-scale multifamily buildings, and can also be applied to commercial buildings. All building types provide low-rise density that fits into walkable neighborhoods.</p>	<p>TIRZs are a form of tax increment financing created to incentivize both development and redevelopment. A TIRZ establishes a “base tax value” for a designated geographic area and then reallocates some or all of the additional ad valorem property taxes in the zone for typically 20-25 years. TIRZ funds can only be used within the TIRZ and can fund infrastructure, landscaping, streetscaping, or any type of public enhancements.</p>
<b>Applicable Land Uses</b>	<p>Residential and commercial in and around downtown Kingsville, or near Texas A&amp;M Kingsville</p>	<p>Landscape/streetscape, façade improvements and commercial/residential building rehabilitation for downtown Kingsville</p>
<b>Benefits &amp; Advantages</b>	<p>The pattern zone includes licensed architectural designs and an expedited permitting system for incremental infill projects that meet higher design standards. The program makes it convenient to build housing at scales appropriate to existing neighborhoods, and leads to cost savings. In general, the pattern zone reduces the administrative burden for the city, and cuts the design and entitlement costs for applicants.</p>	<p>A TIRZ is used to expedite development in an area of the city that may not otherwise develop in a timely manner, by using property taxes to help pay for the costs. There are other taxes that get generated from new development, such as business personal property, sales tax revenue, and any percentage of uncommitted real property tax revenue that will benefit the city almost immediately. Instead of a façade grant or individual project grants, it is a mechanism that accomplish various projects simultaneously.</p>
<b>Potential Challenges</b>	<p>Although the pattern zone will reduce permitting barriers in the long-run, it might require some upfront costs and education</p>	<p>The city still has to pay for supportive services (police/fire departments); does not need public vote, but community outreach is part of the process.</p>
<b>Example/ Case Study</b>	<p>City of Bryan, TX Midtown Pattern Zone, adopted 2020</p>	<p>Approximately 180 TIRZs throughout Texas; local example: Corpus Christi TIRZ #3 Downtown Reinvestment Zone</p>

Source: City of Bryan, Texas, Congress for New Urbanism; City of Flower Mound; Texas Comptroller; RCLCO

## THE FOLLOWING TOOLS ARE AVAILABLE TO KINGSVILLE TO SPUR NEW DEVELOPMENT AND JUMP-START GROWTH:

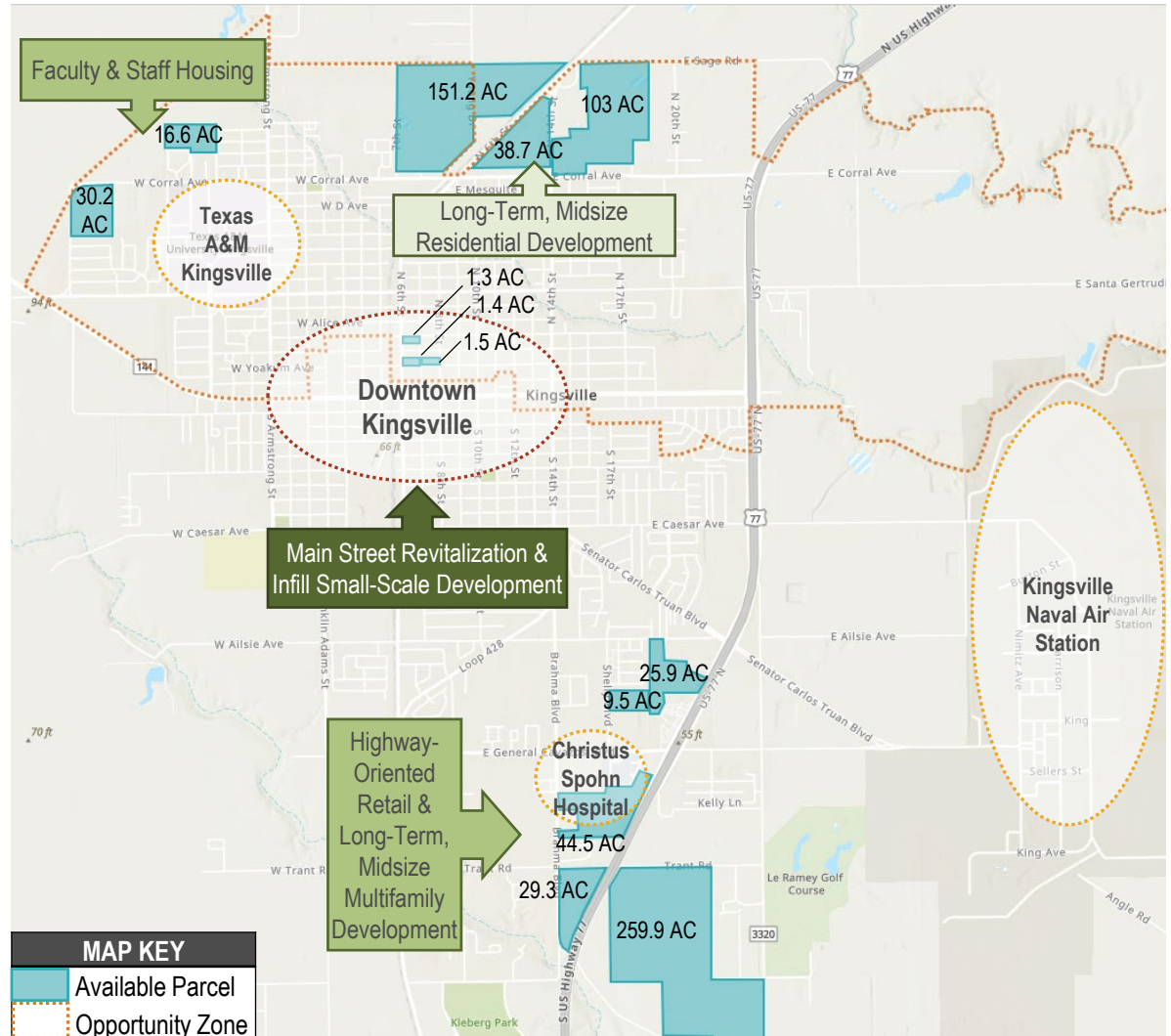
PROGRAM	GRANTS TO SPUR NEW DEVELOPMENT	SMALL BUSINESS DEVELOPMENT CENTER	LEVERAGING ANCHOR INSTITUTIONS
			
<b>Description</b>	<p>In the past, the City of Kingsville has provided small grants and property tax abatements to developers and investors in order to incentivize residential and commercial development, most recently for the renovation of the Texas Theatre and previously resulting in the new residential communities of Paulson Falls and Wild Wood Trail.</p>	<p>Small Business Development Centers help entrepreneurs start or support small businesses by providing low/no-cost confidential business consulting, research, business plan development, marketing, training and state/federal loan applications. They are generally affiliated with a University outreach or Extension service.</p>	<p>Kingsville's storied history with the famed King Ranch can be further leveraged as part of Kleberg County's growing hospitality industry. The City of Kingsville could partner with King Ranch to expand its presence in downtown, create more eco-tourism experiences and tours at the ranch, or develop a hospitality concept.</p>
<b>Applicable Land Uses</b>	<p>Residential and commercial throughout Kingsville</p>	<p>Storefront space in downtown Kingsville in collaboration with Texas A&amp;M Kingsville</p>	<p>Hospitality, eco-tourism</p>
<b>Benefits &amp; Advantages</b>	<p>For a sample 100-home for-sale single-family community, RCLCO estimates that the potential annual gross tax revenue to the city and county could be roughly \$720K per year between property taxes and sales taxes, before accounting for the cost of increased services*.</p>	<p>SBDCs plug into existing SBA funding structures and provide trained advice on promoting growth and growing innovative businesses that are specific to a city's unique economic climate.</p>	<p>An opportunity to collaborate with King Ranch's new leadership, play up a unique aspect of Kingsville's identity and culture, attract more visitors, and increase tourism spending in Kingsville.</p>
<b>Potential Challenges</b>	<p>Identifying best uses of economic development funds and attracting quality developers</p>	<p>Some start-up costs and would require buy-in from the local business community</p>	<p>Undetermined vision and priorities from King Ranch new leadership</p>
<b>Example/ Case Study</b>	<p>Various cities across Texas</p>	<p>Tarleton State University SBDC; Brownwood, TX SBDC</p>	<p>Bronco Off-Roadeo Experience</p>

\*Assumptions: \$200K average home value; 3.21% property tax rate, \$37,5000 annual expenditures per household, 2% city/county sales tax; Source: Tarleton State University SBDC; RCLCO

## TO CONCENTRATE EFFORTS AND CREATE MOMENTUM, RCLCO RECOMMENDS THAT KINGSVILLE PRIORITIZE DOWNTOWN DEVELOPMENT IN THE NEAR-TERM

- ▶ To build on existing economic development programs without dispersing focus, RCLCO recommends that the City concentrate its development efforts into downtown development and revitalization. Projects could include infrastructure and streetscape improvements, new signage, culture and quality of life enhancements, attracting more food and beverage options, and most significantly, incentivizing more infill, small-scale residential development, including for-sale and rental options. A strong residential base and on-going commercial investments will likely create long-lasting returns for the city.
- ▶ Over the long-term, as downtown revitalization efforts gain traction, Kingsville can begin to target other parcels throughout the city. Secondary priorities can include highway-oriented retail along the upgraded Interstate 69-E and mid-scale multifamily development near the hospital and naval base to provide housing for military personnel and healthcare workers. The City could also partner with Texas A&M Kingsville to incentivize more faculty and staff housing near the university and encourage more faculty members to live in Kingsville full-time.

Available Parcel Map and Opportunity Zone



Source: RCLCO

## DISCLAIMERS

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# CRITICAL ASSUMPTIONS

Our conclusions are based on our analysis of the information available from our own sources and from the client as of the date of this report. We assume that the information is correct, complete, and reliable.

We made certain assumptions about the future performance of the global, national, and local economy and real estate market, and on other factors similarly outside either our control or that of the client. We analyzed trends and the information available to us in drawing these conclusions. However, given the fluid and dynamic nature of the economy and real estate markets, as well as the uncertainty surrounding particularly the near-term future, it is critical to monitor the economy and real estate markets continuously and to revisit the aforementioned conclusions periodically to ensure that they are reflective of changing market conditions.

It has become increasingly clear that the U.S. economy is in a recession, and yet the extent of the damage to the economy and the ability to rebound from a still unfolding disruption are unknown. These events underscore the notion that stable and moderate growth patterns are historically not sustainable over extended periods of time, the economy is cyclical, and real estate markets are typically highly sensitive to business cycles. Further, it is particularly difficult to predict inflection points, including when economic and real estate expansions will end, and when downturn conditions return to expansion.

Our analysis and recommendations are based on information available to us at the time of the writing of this report, including the likelihood of a downturn, length and duration, but it does not consider the potential impact of additional/future shocks on the national and/or local economy, and does not consider the potential benefits from major "booms" that may occur. Similarly, the analysis does not reflect the residual impact on the real estate market and the competitive environment of such a shock or boom. Also, it is important to note that it is difficult to predict changing consumer and market psychology. As such, we recommend the close monitoring of the economy and the marketplace, and updating this analysis as appropriate.

Further, any project and investment economics included in our analysis and reports should be "stress tested" to ensure that potential fluctuations in revenue and cost assumptions resulting from alternative scenarios regarding the economy and real estate market conditions will not cause unacceptable levels of risk or failure.

In addition, and unless stated otherwise in our analysis and reports, we assume that the following will occur in accordance with current expectations by market participants:

- ▶ Tax laws (i.e., property and income tax rates, deductibility of mortgage interest, and so forth)
- ▶ Availability and cost of capital and mortgage financing for real estate developers, owners and buyers
- ▶ Competitive supply (both active and future) will be delivered to the market as planned, and that a reasonable stream of supply offerings will satisfy real estate demand
- ▶ Major public works projects occur and are completed as planned

Should any of the above change, this analysis should be updated, with the conclusions reviewed accordingly (and possibly revised).

# GENERAL LIMITING CONDITIONS

Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this study. This report is based on information that to our knowledge was current as of the date of this report, and RCLCO has not undertaken any update of its research effort since such date.

Our report may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by RCLCO that any of the projected values or results contained in this study will be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Robert Charles Lesser & Co." or "RCLCO" in any manner without first obtaining the prior written consent of RCLCO. No abstracting, excerpting, or summarization of this study may be made without first obtaining the prior written consent of RCLCO. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the client without first obtaining the prior written consent of RCLCO. This study may not be used for any purpose other than that for which it is prepared or for which prior written consent has first been obtained from RCLCO.







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