



## Warehouse condo concept comes to San Antonio

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Inspiration struck real estate broker Ryan Smith during a conference in Phoenix a few months ago.

The Cross & Co. vice president noticed that Arizona developers were offering industrial warehouse space for sale in an ownership setup similar to that of residential condominiums.

So he brought the idea back to San Antonio and an empty industrial building in Schertz, which another developer had built speculatively but which had never attracted a tenant.

Cross & Co. bought that building, and Smith now is offering warehouse condos there.

Industrial condos have taken off as a profitable niche in Florida, California and other markets, including Dallas and Houston, Smith said.

"It's never been done before in this market," he said.

But now there are two coming online in the San Antonio area.

A Dallas-based real estate company, CSC Properties, is offering small industrial spaces for sale in the Medical Center area. The spaces are at Med Tech Plaza, which it has leased out since 1992. The warehouse condo concept makes sense in this market, Smith said. As an industrial real estate broker, people often call him in search of small industrial spaces, which can be hard to find, he said. "Inflation has pushed construction prices so high that it's cheaper for people to buy an existing building rather than to build it themselves," he said.

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To be clear, these "warehouse condos" aren't old warehouses that developers are turning into residential condos, which is a different real estate trend. And they're not big, distribution-sized buildings.

They're generally smaller warehouses, often including a small office component. Business owners can buy them instead of paying rent.

Demand for San Antonio industrial space has increased significantly and so have the rents. In the first three months of 2007, the market absorbed 201,835 square feet, compared with 28,940 in the first quarter of last year, according to NAI REOC Partners, which tracks the San Antonio industrial market.

Absorption is a demand indicator that measures the change in occupied space over a period of time.

Industrial rents have increased about 9 cents per square foot from last year, and space is getting tighter. Last year's 16.8 percent vacancy rate in the first quarter has decreased to 12.6 percent for the first three months of 2007.

For flex space, which is a combination of warehouse and office space, the vacancy rate is more like 7 percent, said Rick Stagers, a broker with Grubb & Ellis in San Antonio.

Cross & Co.'s Schertz building, at 17357 Bell North Drive, includes five units comprising 5,600 square feet each, and two comprising 7,600 square feet each. Each unit includes about 700 square feet of office space, one high-dock door and one ground-level dock door.

Units are selling for about \$90 per square foot. Owners' costs are expected to run about \$850 per month for insurance, water and building maintenance.

The Dallas company, CSC Properties, is bringing the warehouse condo concept to San Antonio. The company has owned and leased out Med Tech Plaza, 8666 Huebner Road, since 1992. Now the industrial spaces, which range from about 1,654 to 4,467 square feet, are up for sale with a two-unit purchase minimum.

The property's most prominent space is selling for about \$73 per square foot and the rest for about \$70. Each of the Med Tech Plaza spaces has a storefront with warehouse space and loading docks.

The company is offering the spaces to its current tenants first, broker and property manager Glenda Killough said. Current rental tenants of the building, which was built in the early '80s, include a locksmith and medical and plumbing supply companies, Killough said.

The two warehouse condo projects have been on the market less than a month; and so far, neither has found buyers. But the owners are optimistic.

"I've had a lot of calls on them," Smith said.

Both Smith and Killough said they expect to take on similar properties in the future.

"I'm out there looking for more," Killough said.




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