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## **S.A. REAL ESTATE MARKET GAINING STEAM, INDUSTRY OFFICIALS SAY**

The San Antonio/South Texas Chapter of CCIM recently held its annual symposium in the Alamo City. The theme of this year's event was "Greater San Antonio: Building Our Momentum." Following are some highlights from the presentations.

### **Housing**

Single-family projects continue to be a prime driver of new development in San Antonio, according to John T. Crone III, who noted that more than 80 percent of the raw land currently available for development in the area will ultimately be put to use for single-family housing projects. While the North Side is still seeing activity, single-family development is moving further west, according to Crone, who is the president and owner of BCD Management Inc. -- which does business as Crolanco Inc. Large tracts of land are also up for grabs in southeastern Bexar County.

Crone was also quick to point out that the city continues to face challenges to development -- most notably in the form of excessive planning initiatives and regulations. Concepts like "new urbanism" and "balanced growth" sound good on paper, but they are hard to implement in the real world, Crone noted. The current environment of over-regulation has led to a lot more growth outside of the city limits. And that trend, Crone added, will likely continue.

### **Industrial**

Speaking on issues like the new Toyota manufacturing facility and the future of NAFTA, San Antonio's industrial market is "steppin' into the fast lane," according to John Vogel. "The trucks are coming," said Vogel, who is a principal with the local office of Henry S. Miller Commercial. To date, San Antonio's industrial inventory stands at 54.9 million square feet -- accounting for 4.6 percent of the total amount of industrial space in Texas. That there is not a lot of inventory to control, however, has made it easier for San Antonio to keep vacancy rates in this market under control, according to Vogel. As of the second quarter of 2004, vacancy rates for industrial and flex properties stood at 13.7 percent and 12.4 percent, respectively.

The industrial market has, however, seen a very dismal sales year so far, adds Vogel, who notes that a lack of product has been one of the prime reasons why owners are holding on to their buildings. But new construction appears to be on the rise once again, Vogel pointed out.

## **Multifamily**

San Antonio has been one of the hottest markets for multifamily investment, according to David Lawhorn of Investment Realty Co. LC. The bulk of the buyers here have been private entities.

The stability of San Antonio's multifamily market has helped to make it attractive to investors. Since 1999, area projects have consistently boasted an average occupancy rate of over 90 percent. Rents have also continued to slowly, but steadily, increase as well.

## **Office**

After suffering several stormy years, blue skies are again breaking through in the local office market.

The Central Business District – which has suffered negative space absorption since 2000 – was trending positive as the third quarter of 2004, according to Paul Fagan, who is a partner in at Cross & Company. Speaking as an expert on the office market, Fagan said as developers find new uses for former office properties like the South Texas Building and the Alamo National Bank Building, the resulting tenant demand created can be absorbed by other vacant spaces downtown, he added.

While relatively quiet over the past several years, the Northeast submarket has picked up steam as well, according to Fagan. Much of the credit goes to the Offices at Fort Sam – a redevelopment project that continues to attract new office tenants to the grounds of Fort Sam Houston.