

San Antonio's Industrial Real Estate Market

by

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This is not a statistical report with charts and graphs. One can go to several sites and obtain this information - I would recommend the following:

www.recenter.tamu.edu

www.sanantonioedf.com

This is however a report card on how I perceive the local market based on my almost 30 years of specializing in industrial real estate. Getting into the streets and talking to landlords, tenants, buyers and sellers, and driving the city can give one a good indication of what is happening, what challenges exist, where the next opportunity is, etc. etc. Here is what I see as of January 2008:

Overall Market Condition: A -

- Interest in land and buildings hot
- Difficulty in locating prospect requirements
- Market in balance buta lot more planned

Absorption: A

- Record setting
- Class "A" product = high occupancies
- Northeast/outside city seeing the majority

Rental Rates: A -

- Mid single digit increases
- Operating expenses are significant
- Increases during initial term becoming more common

Land Costs: C

- Sites > \$2.00 SF limit spec industrial uses
- Costs to add utilities higher
- Demand causing continued increases

Investment Sales: B

- Could be at or near peak for returns
- Demand continues to exceed supply
- Large portfolios purchases by national investors

Construction Costs: C

- Continue to rise although not as sharply
- Close to equaling existing building sales
- Soft costs being impacted

The Overall Permitting and Building Process: D

- Numerous regulations; permitting drawn out =
- Significant construction outside San Antonio
- Difficult to zone industrial within city limits

Outlook for 2008 B+

- Texas and San Antonio's economy outpacing U.S.
- Increased jobs = increased industrial growth
- Only slight negative impact from national trends
- Financing will be more challenging

Opportunities: B

- North Central, Northwest & IH 35 Corridor
- Development of small free standing buildings
- Purchase/rehab of class "B" & "C" buildings
- Warehousing and distribution of Mexican goods