

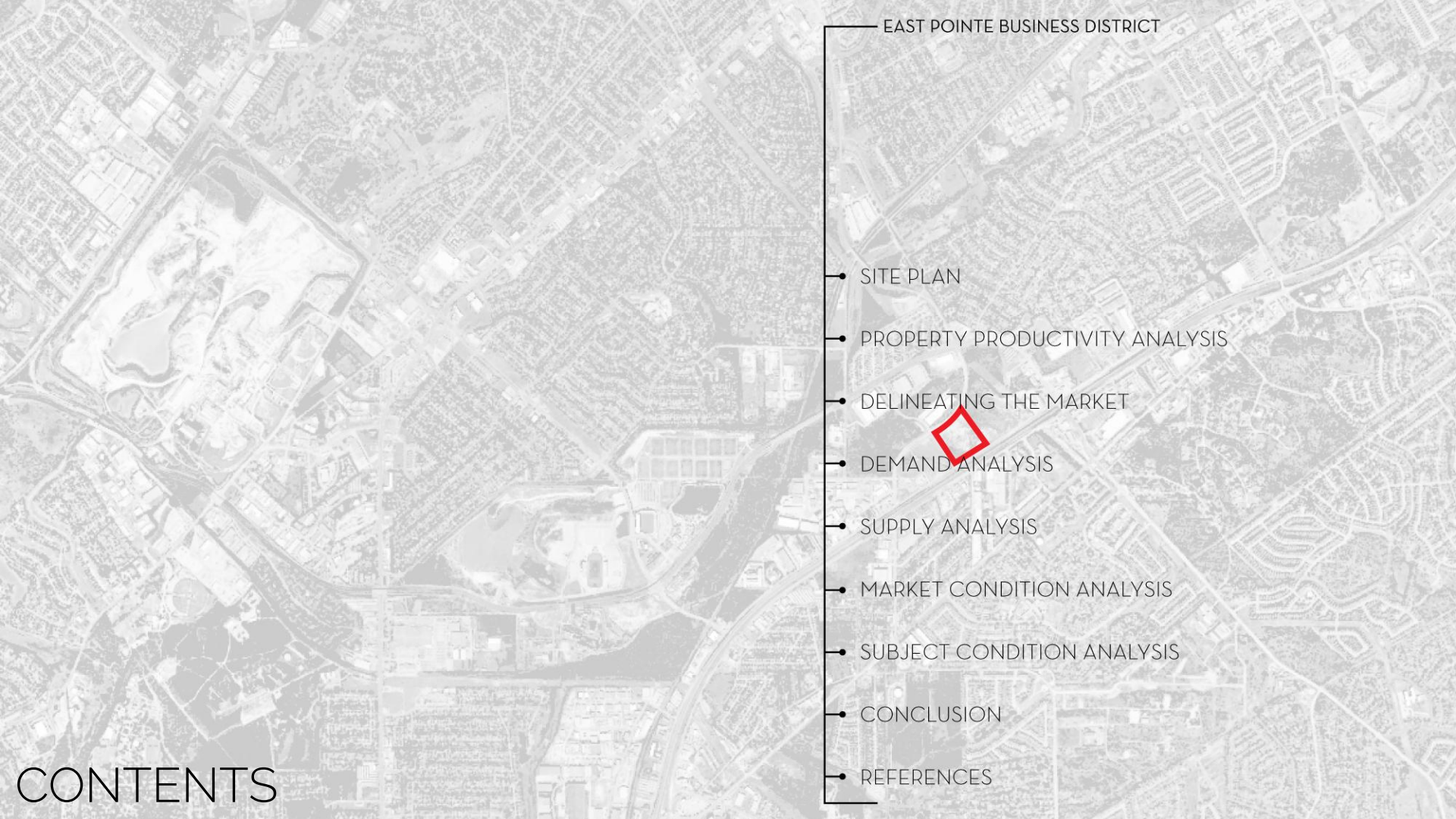


# EAST POINTE BUSINESS DISTRICT

market analysis proposal

Taylor Ellner - Tyler Henschel - Katlyn Krause - Colin McCreary - Landon Parker - Varun Rajan

Fall 2018 - LDEV 664 - Peterson



EAST POINTE BUSINESS DISTRICT

• SITE PLAN

• PROPERTY PRODUCTIVITY ANALYSIS

• DELINEATING THE MARKET

• DEMAND ANALYSIS

• SUPPLY ANALYSIS

• MARKET CONDITION ANALYSIS

• SUBJECT CONDITION ANALYSIS

• CONCLUSION

• REFERENCES

# CONTENTS



SITE PLAN

# San Antonio Office Submarkets



- 1. CBD
- 2. North Central
- 3. Northeast
- 4. Northwest
- 5. South

## Site Location

- Location
  - Northeast
  - Direction of Growth towards Austin
- I-35
  - One of the busiest trading routes in North America
- 10,000 SQFT with 30,000 SQFT for Parking
  - Private Offices
  - Class B

Information and data within this report were obtained from sources deemed to be reliable. No warranty or representation is made to guarantee its accuracy. NAI Partners' quarterly report for the San Antonio office market includes information and data for Class A, Class B and Class C buildings—20,000 sq. ft. and up—for all office property types (including leasable medical space in office buildings). Owner-occupied buildings are excluded.

# PROPERTY PRODUCTIVITY ANALYSIS

Thousand  
Oaks Branch

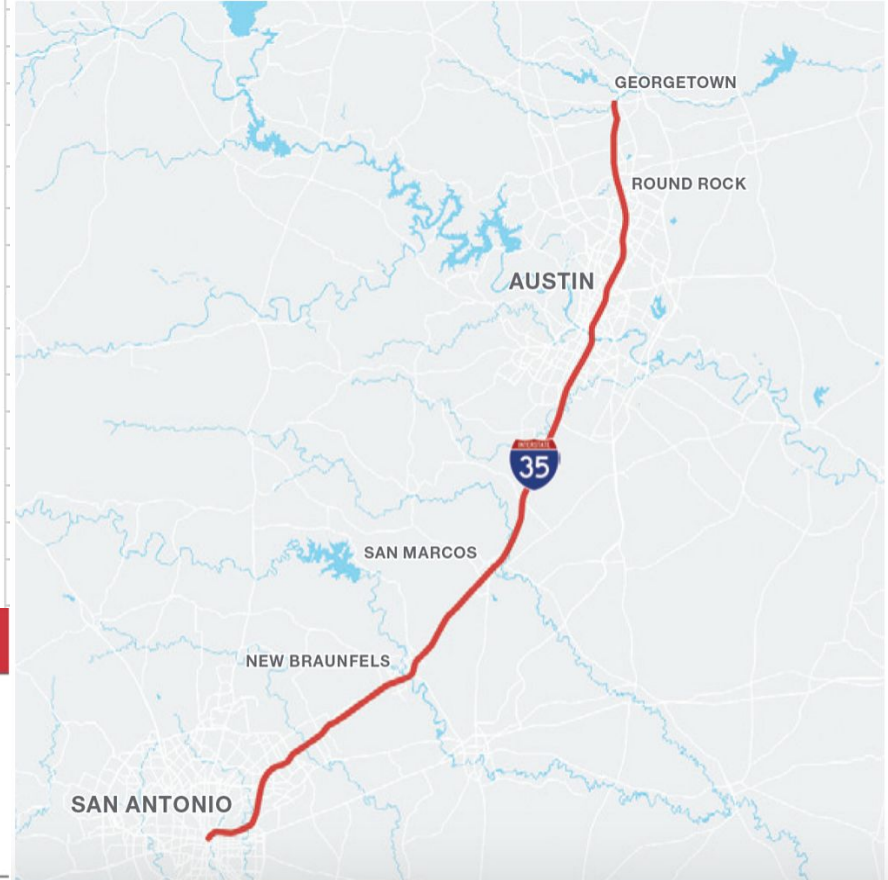
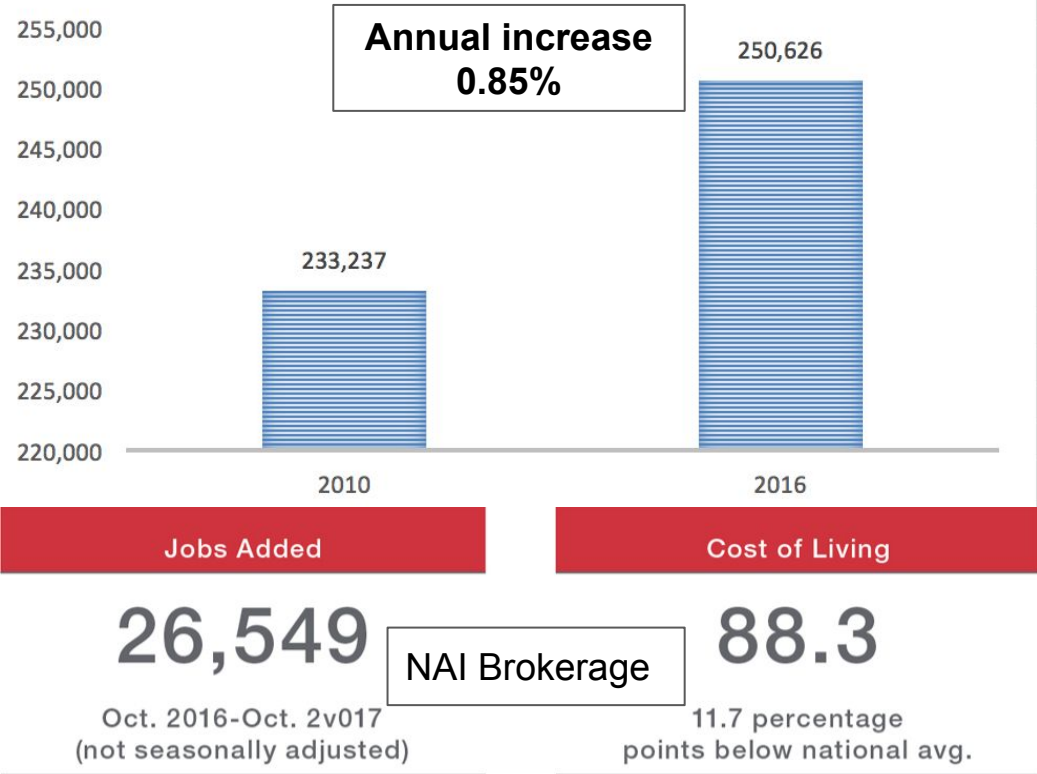
.9 Miles

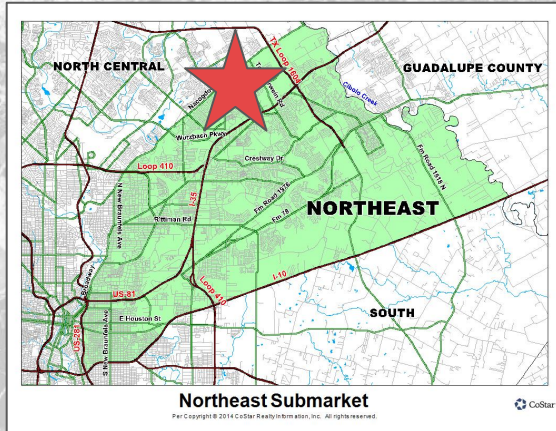
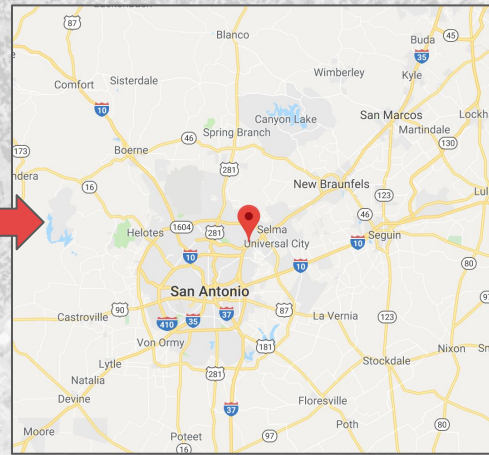
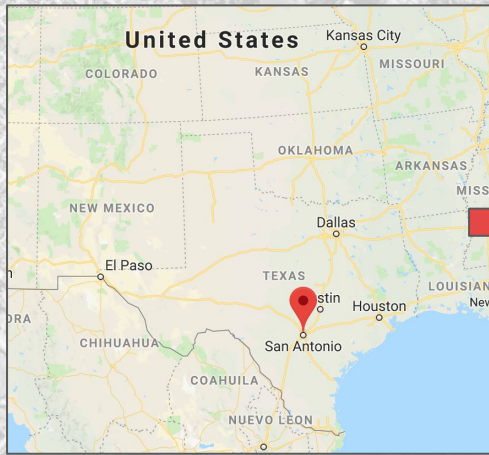
Retention  
Pond

RANDOLPH BLVD



# NORTH EAST SAN ANTONIO





# Location Overview

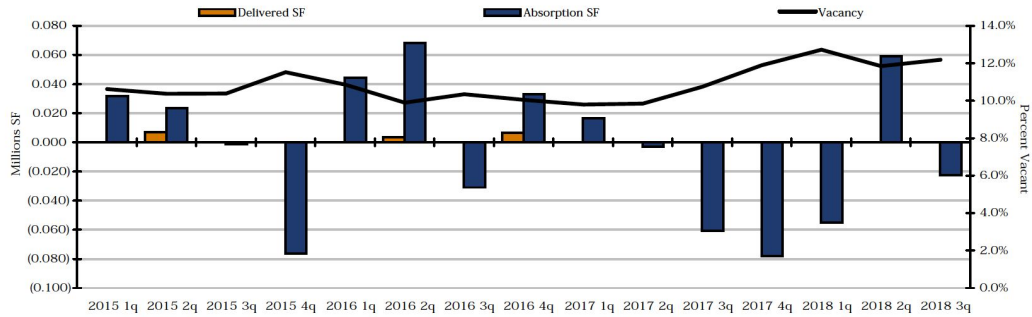
## San Antonio

- **Major employers:**
  - U.S. Military (69,000)
  - USAA (18,305)
  - HEB (20,000)
  - Frost Bank (6,100)
  - CPS Energy (3,022)
  - Toyota (2,972)
  - Rackspace (3,300)
  - Southwest Research (2,715)
- **Growth Trends:**
  - 1.494% annual population growth
- Northeast San Antonio
  - **Major industry sectors:**
    - Financial Services, Information technology, Cybersecurity, New Energy, Bioscience, Healthcare, Aerospace, Defense, Advanced Manufacturing

DELINEATING THE MARKET

## Deliveries, Absorption & Vacancy

Historical Analysis, All Classes



Source: CoStar Property®

# Market Overview

### Absorption

- Total net of +12,522 SF for Q3 2018, compared to +375,505 SF for Q2 2018
- Class B has been more stable, with an avg absorption of 98,838 SF

### Vacancy

- Vacancy has relatively little change over the last four quarters (Avg 12.2%, B: 9.7%)

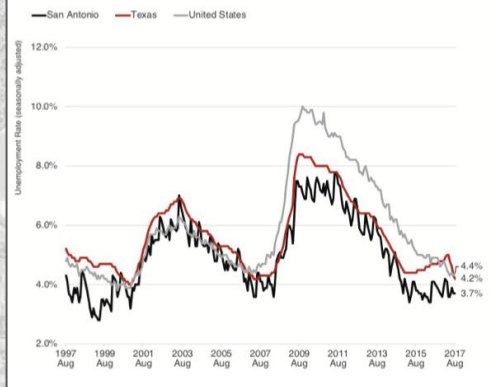
### Rental Rates

- Avg rental rates are \$21.62/SF/YR
- Class B stands at \$20.15/SF/YR

## Market Indicators

	Current Q3 2017	Prior Quarter Q2 2017	Year Ago Q3 2016
Vacancy w/Sublease	10.2%	10.0% ▲	11.0% ▼
Direct	9.9%	9.8% ▲	10.7% ▼
Availability w/Sublease	13.3%	13.5% ▼	12.9% ▲
Direct	12.7%	12.9% ▼	12.4% ▲
Net Absorption (SF)	172,321	517,443 ▼	129,846 ▲
Leasing Activity (SF)	463,785	537,043 ▼	1,082,606 ▼
Construction (SF)	1,187,262	1,451,964 ▼	1,064,126 ▲
Deliveries (SF)	264,702	556,648 ▼	160,085 ▲
Gross Avg Asking Rent	\$21.81	\$21.16 ▲	\$21.12 ▲
Inventory (SF)	58,234,969	57,970,264 ▲	57,161,638 ▲

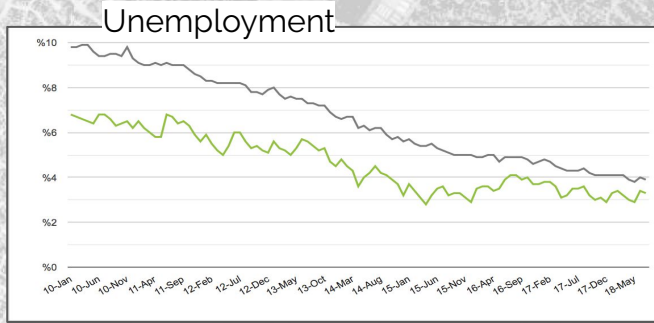
## Unemployment



DELINEATING THE MARKET

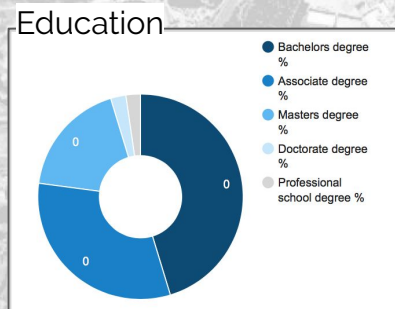
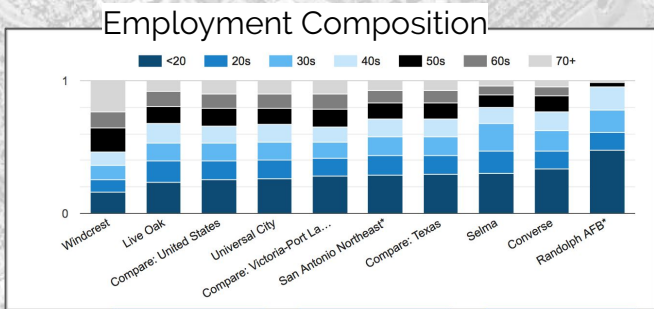
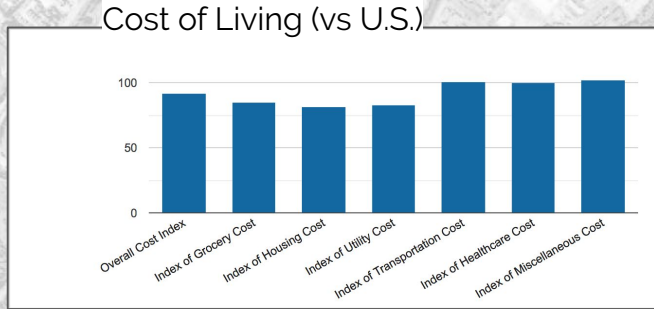


# Demographic Analysis



**Key**

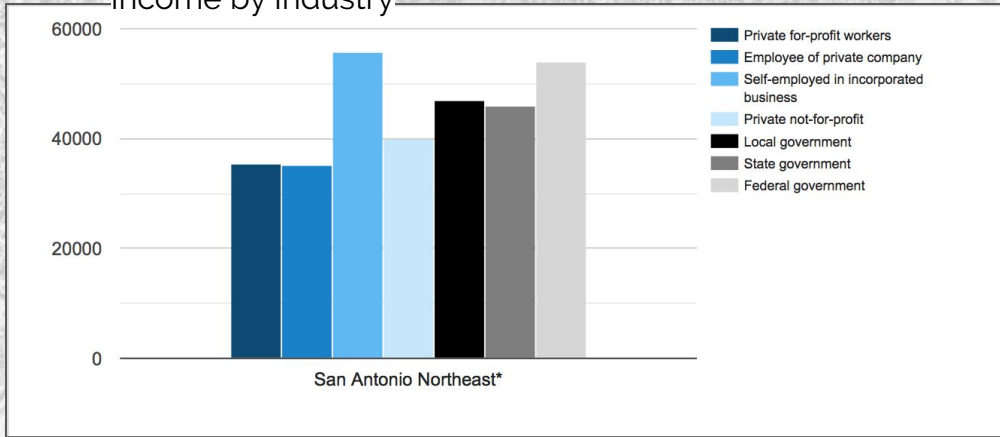
- = SA
- = N.E.



- **San Antonio**
  - 1,512,000 Population (annual growth 1.494%)
  - 26.7% College Graduates
  - 64.3% Employment Participation
  - \$48,813 Median Income
- **Northeast San Antonio Submarket**
  - 250,626 Population (annual growth 1.5%)
  - 28% College Graduates
  - 67% Employment Participation
  - \$56,605 Median Income

DELINEATING THE MARKET

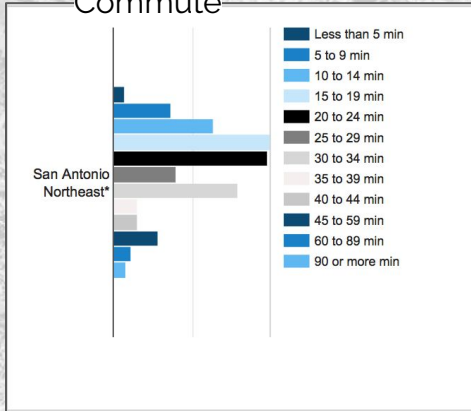
Income by Industry



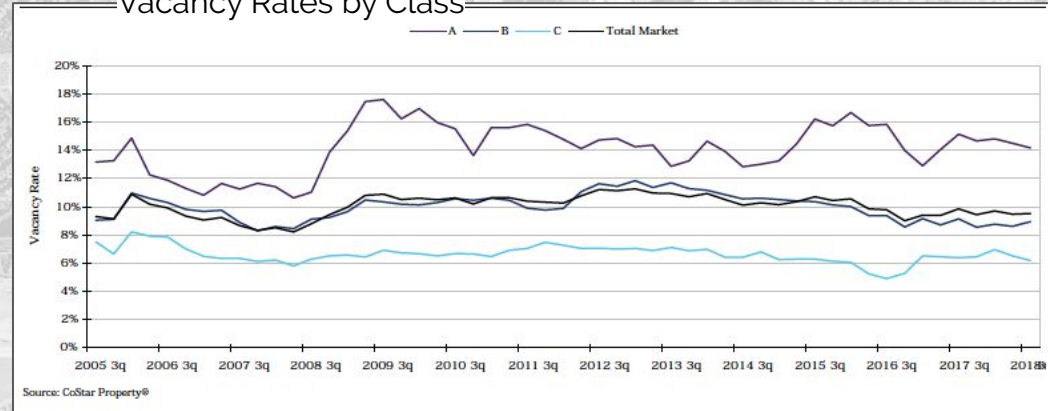
# Submarket Overview

- **San Antonio Submarket Conditions**
  - Suburban Absorption (34,452 in 2018)
  - Class B Vacancy (Avg 9.5%)
  - Rental Rates (Avg Quote: \$20.09)
  - Livability (11 min to airport, middle of growth pattern)

Commute



Vacancy Rates by Class



Source: CoStar Property®

### **6684 Randolph Blvd**

- Year Built: 2014
- SF: 6,040 SF
- Price: \$23.00/SF/YR

### **17147 Autry Pond Rd**

- Year Built: 2018
- SF: 8,000 SF
- Price: \$30.00/SF/YR

### **Wurzbach Pkwy @ Thousand Oaks**

- Year Built: 2018
- SF: 89,000 (15,000 SF per lease)
- Price: \$17.50/SF/YR

## **Submarket Overview**

### **Constants:**

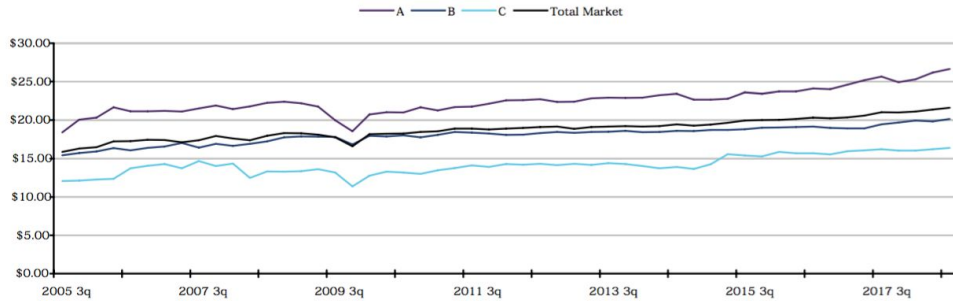
- Service Type:
  - Triple-Net
- Class:
  - B, Multi-tenant
  - Suburban
- Terms:
  - 5-10 year lease

## Trends noticed:

- Increase in the number of bids
- Increase in the total RBA
- Increase in net absorption
- Increase in quoted rates

## Historical Rental Rates

Based on Full-Service Equivalent Rental Rates



Source: CoStar Property®

## Class B Submarket Statistics

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bids	Total RBA	Direct SF	Total SF	Vac %				
Atascosa County	22	252,587	17,528	17,528	6.9%	(12,428)	0	0	\$22.88
Bandera County	6	16,371	0	0	0.0%	0	0	0	\$0.00
CBD	91	4,727,624	483,162	490,077	10.4%	275,690	0	0	\$17.02
Comal County	170	1,552,763	129,499	129,499	8.3%	12,489	7,275	9,273	\$18.72
Far North Central	132	2,610,041	260,593	268,034	10.3%	(20,710)	0	6,600	\$21.94
Far Northwest	34	535,831	94,661	94,661	17.7%	(1,960)	74,872	110,405	\$21.82
Far West	57	3,192,041	54,801	54,801	1.7%	66,189	15,200	41,883	\$18.60
Guadalupe County	38	459,095	14,818	20,792	4.5%	1,437	0	60,182	\$19.49
Kendall County	81	614,911	65,816	65,816	10.7%	21,654	49,490	6,600	\$21.90
Medina County	8	37,485	0	0	0.0%	0	0	0	\$0.00
North Central	379	8,255,207	823,259	852,195	10.3%	(87,932)	0	9,650	\$20.52
<b>Northeast</b>	<b>95</b>	<b>3,491,177</b>	<b>223,018</b>	<b>223,018</b>	<b>6.4%</b>	<b>(33,132)</b>	<b>0</b>	<b>0</b>	<b>\$19.71</b>
Northwest	444	16,596,197	1,306,429	1,353,489	8.2%	(53,256)	4,600	348,068	\$18.70
South	68	1,556,835	222,708	222,708	14.3%	(75,706)	6,120	0	\$17.96
Wilson County	11	43,395	0	0	0.0%	0	0	0	\$12.18
<b>Totals</b>	<b>1,636</b>	<b>43,941,560</b>	<b>3,696,292</b>	<b>3,792,618</b>	<b>8.6%</b>	<b>92,335</b>	<b>157,557</b>	<b>592,661</b>	<b>\$19.01</b>

Source: CoStar Property®

## Class B Submarket Statistics

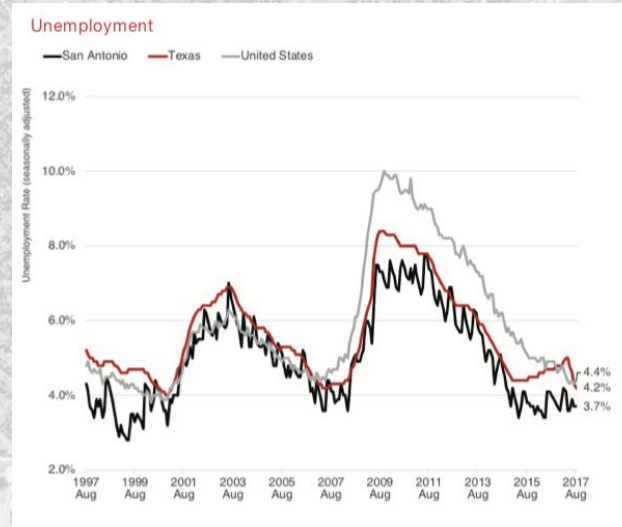
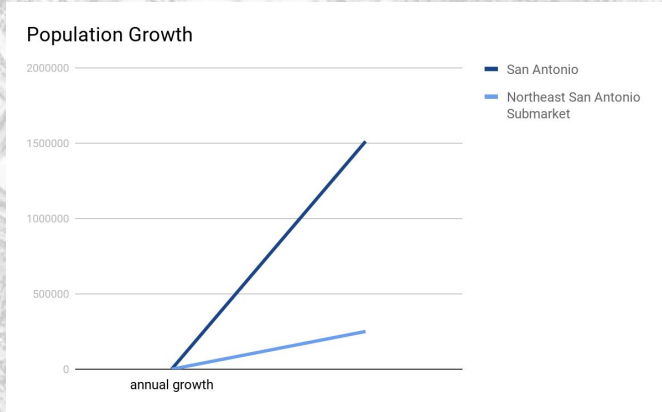
Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bids	Total RBA	Direct SF	Total SF	Vac %				
Atascosa County	23	246,707	21,970	21,970	8.9%	(12,722)	0	0	\$28.30
Bandera County	7	18,851	1,067	1,067	5.7%	(1,067)	0	0	\$0.00
CBD	93	4,300,514	391,507	391,507	9.1%	(61,292)	0	0	\$19.81
Comal County	191	1,512,875	124,908	124,908	8.3%	41,740	24,907	26,072	\$18.11
Far North Central	141	2,645,129	258,147	267,397	10.1%	19,765	15,600	5,000	\$20.56
Far Northwest	48	584,969	69,614	69,614	11.9%	25,452	34,023	127,437	\$20.36
Far West	69	3,821,707	213,084	213,084	5.6%	(79,264)	24,756	17,485	\$21.02
Guadalupe County	55	685,878	19,348	19,348	2.8%	14,521	13,600	124,900	\$16.86
Kendall County	91	685,757	79,097	79,097	11.5%	29,044	10,800	0	\$23.43
Medina County	10	52,372	0	0	0.0%	0	0	0	\$0.00
North Central	408	8,517,534	1,031,875	1,066,957	12.5%	(90,754)	26,725	112,649	\$20.94
<b>Northeast</b>	<b>104</b>	<b>3,714,670</b>	<b>349,396</b>	<b>352,331</b>	<b>9.5%</b>	<b>7,668</b>	<b>0</b>	<b>0</b>	<b>\$19.75</b>
Northwest	476	17,235,112	1,319,829	1,338,655	7.8%	53,929	48,411	120,187	\$19.43
South	73	1,494,011	115,555	117,532	7.9%	17,873	0	16,062	\$18.57
Wilson County	12	45,330	4,520	4,520	10.0%	(4,520)	0	0	\$0.00
<b>Totals</b>	<b>1,801</b>	<b>45,561,416</b>	<b>3,999,917</b>	<b>4,067,987</b>	<b>8.9%</b>	<b>(39,627)</b>	<b>198,822</b>	<b>549,792</b>	<b>\$20.15</b>

Source: CoStar Property®

DEMAND ANALYSIS - inferred demand forecast

## Demand drivers

- Increase in population
- Increase in employment



									Number of employees		
San Antonio city, Texas	53	Real estate and rental and leasing	Total	2012	1,500	2,522,415	478,002	137,420	10,878	N	N
San Antonio city, Texas	54	Professional, scientific, and technical services	All establishments	2012	3,361	6,211,156	2,370,888	553,900	37,364	N	N

DEMAND ANALYSIS - fundamental demand forecast

## EXISTING SUPPLY IN THE SUBMARKET

**Class A:** Existing Inventory: 7  
Total Rentable Area: 905,598 sqft  
Vacancy: 203,565 (22.5%)  
Quoted Rates: \$23.22/sqft

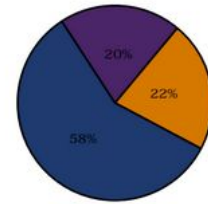
**Class B:** Existing Inventory: 104  
Total Rentable Area: 3,714,670 sq.ft  
Vacancy: 223,010 (6.4%)  
Under construction SF: 0  
Quoted Rates: \$20.12

**Class C:** Existing Inventory: 241  
Total Rentable Area: 2,313,243  
Vacancy: 238,448 (10.3%)  
Under construction SF: 1  
Quoted Rates: \$16.48

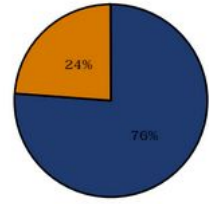
## Existing Inventory Comparison

Based on Total RBA

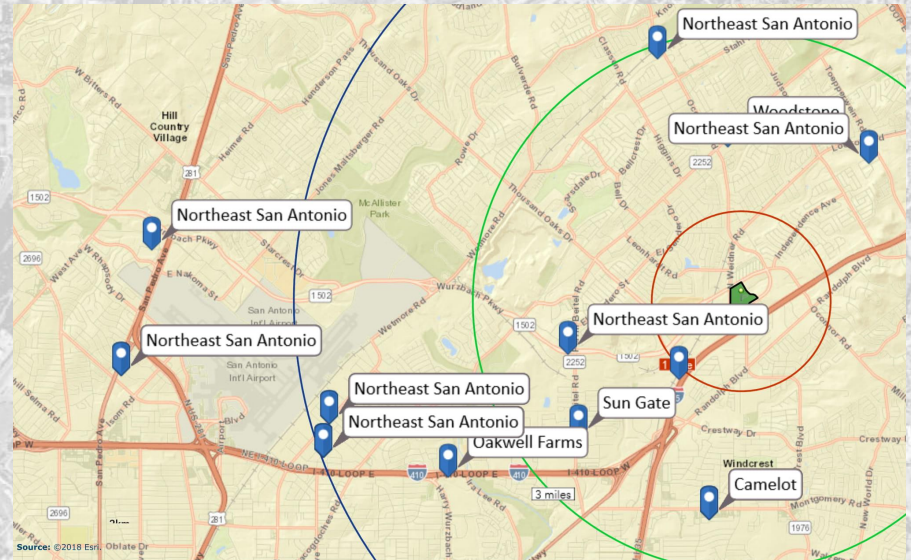
By Class



By Space Type



■ Class A ■ Class B ■ Class C ■ Multi ■ Single



## PROPERTIES UNDER CONSTRUCTION:

- Property A:  
Location: 1 Randolph Brooks Pky  
RBA: 192,000 sq.ft  
No. of floors: 5  
Preleased: 100%
- Property B:  
Location: 430 W Sunset Road  
RBA: 48000 sq.ft  
No. of Floors: 3  
Quoted Rent: \$27  
Preleased: 48%
- Property C:  
Location: 111 Tower Road  
RBA: 75,090 sq.ft  
No. of Floors: 1 floor  
Preleased: 80%  
Quoted rent: \$19.5



# Class B Market Statistics

Third Quarter 2018

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
CBD	93	4,300,514	391,507	391,507	9.1%	(61,292)	0	0	\$19.81
Suburban	1,708	41,260,902	3,608,410	3,676,480	8.9%	21,665	198,822	549,792	\$20.17
<b>Totals</b>	<b>1,801</b>	<b>45,561,416</b>	<b>3,999,917</b>	<b>4,067,987</b>	<b>8.9%</b>	<b>(39,627)</b>	<b>198,822</b>	<b>549,792</b>	<b>\$20.15</b>

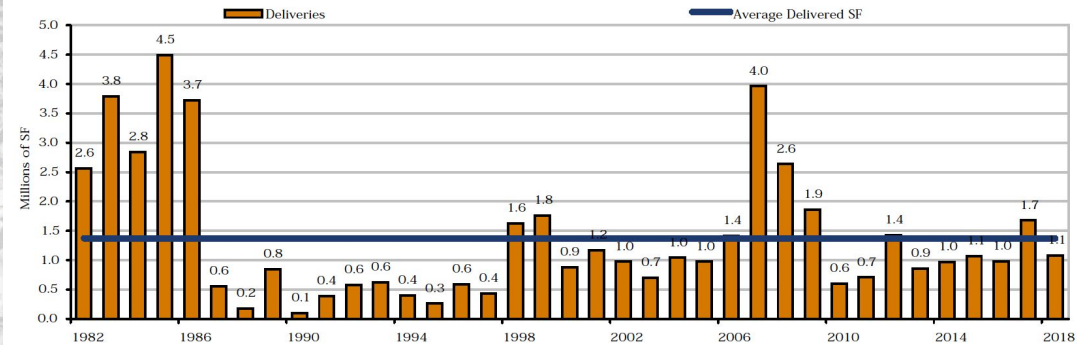
Source: CoStar Property®

Proposed product Vacancy: 6.4%  
 San Antonio Office Average Vacancy: 9.8%  
 National Average Office Vacancy: 13.2%

Given the conditions of the submarket, Class B office space has the least amount of vacancy with currently low amounts of buildings under construction in the area, showing that there is a need for this type of property.

## Historical Deliveries

1982 - 2018



Source: CoStar Property®

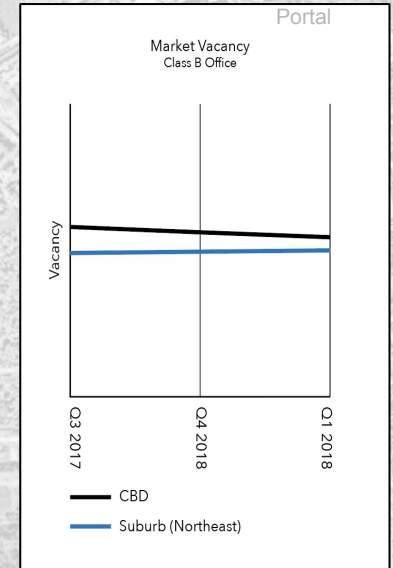
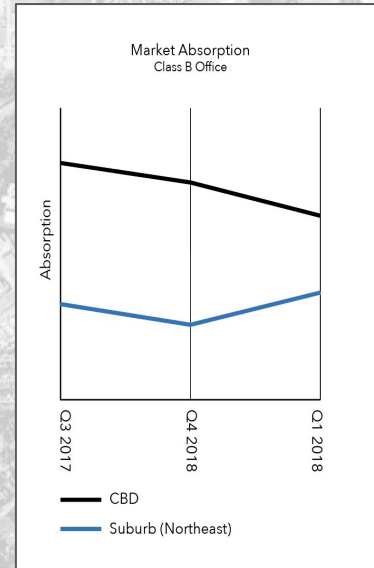
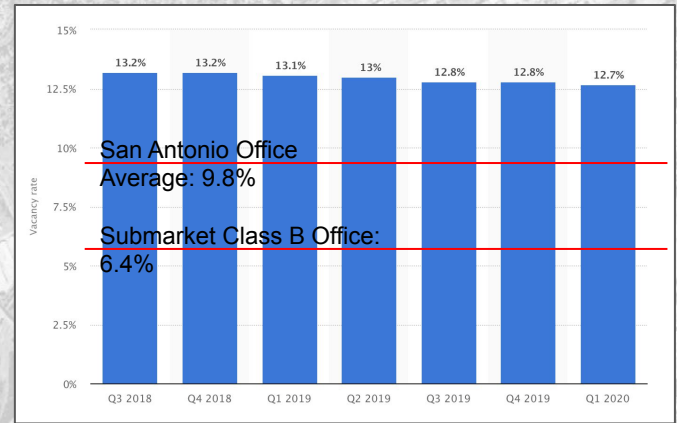
\* Future deliveries based on current under construction buildings.



Comparing the submarket vacancy and absorption with the CBD, the submarket has an increase in absorption for the past two quarters and a very steady vacancy.

Provided the current demand and current supply for Class B office space in the market, the residual demand for this project relatively high.

Given the direction of growth of the market for this type of property, the current supply is not too high that the proposed property would not be absorbed into the current office market in San Antonio.



# MARKET CONDITION ANALYSIS

## Site

- 10,000 SQFT

## Legal

- Zoning: C-3 General Commercial District (Sec. 35-310.10)
  - no building size limitations
  - building height limited to 35 feet

## Locational

- I-35
  - One of the busiest trading routes in North America.
- 14 min. drive to the airport

## Comparables

- 1) 17417 Autry Pond
  - Located by Goodwill and across the street from LA Fitness.
  - Next door to Great Hearts School.
  - Retail/Office/Medical
  - Tenant → Dentist (3,500 SQFT)
- 2) 6684 Randolph Blvd
  - office/ medical
  - Tenant → Syncore Medical

Based on our inferred analysis, the property's site, legal and locational attributes, compared to other similar properties, are expected to capture the middle class and professional businesses.

# Class B Market Statistics

Third Quarter 2018

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	# Bids	Total RBA	Direct SF	Total SF	Vac %				
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Bandera County	7	18,851	1,067	1,067	5.7%	(1,067)	0	0	\$0.00
CBD	93	4,300,514	391,507	391,507	9.1%	(61,292)	0	0	\$19.81
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Guadalupe County	55	685,878	19,348	19,348	2.8%	14,521	13,600	124,900	\$16.86
Kendall County	91	685,757	79,097	79,097	11.5%	29,044	10,800	0	\$23.43
Medina County	10	52,372	0	0	0.0%	0	0	0	\$0.00
North Central	549	11,162,663	1,290,022	1,334,354	12.0%	(70,989)	42,325	117,649	\$20.89
Northeast	104	3,714,670	349,396	352,331	9.5%	7,668	0	0	\$19.75
Northwest	593	21,641,788	1,602,527	1,621,353	7.5%	117	107,190	265,109	\$19.60
South	73	1,494,011	115,555	117,532	7.9%	17,873	0	16,062	\$18.57
Wilson County	12	45,330	4,520	4,520	10.0%	(4,520)	0	0	\$0.00
<b>Totals</b>	<b>1,801</b>	<b>45,561,416</b>	<b>3,999,917</b>	<b>4,067,987</b>	<b>8.9%</b>	<b>(39,627)</b>	<b>198,822</b>	<b>549,792</b>	<b>\$20.15</b>

Source: CoStar Property®

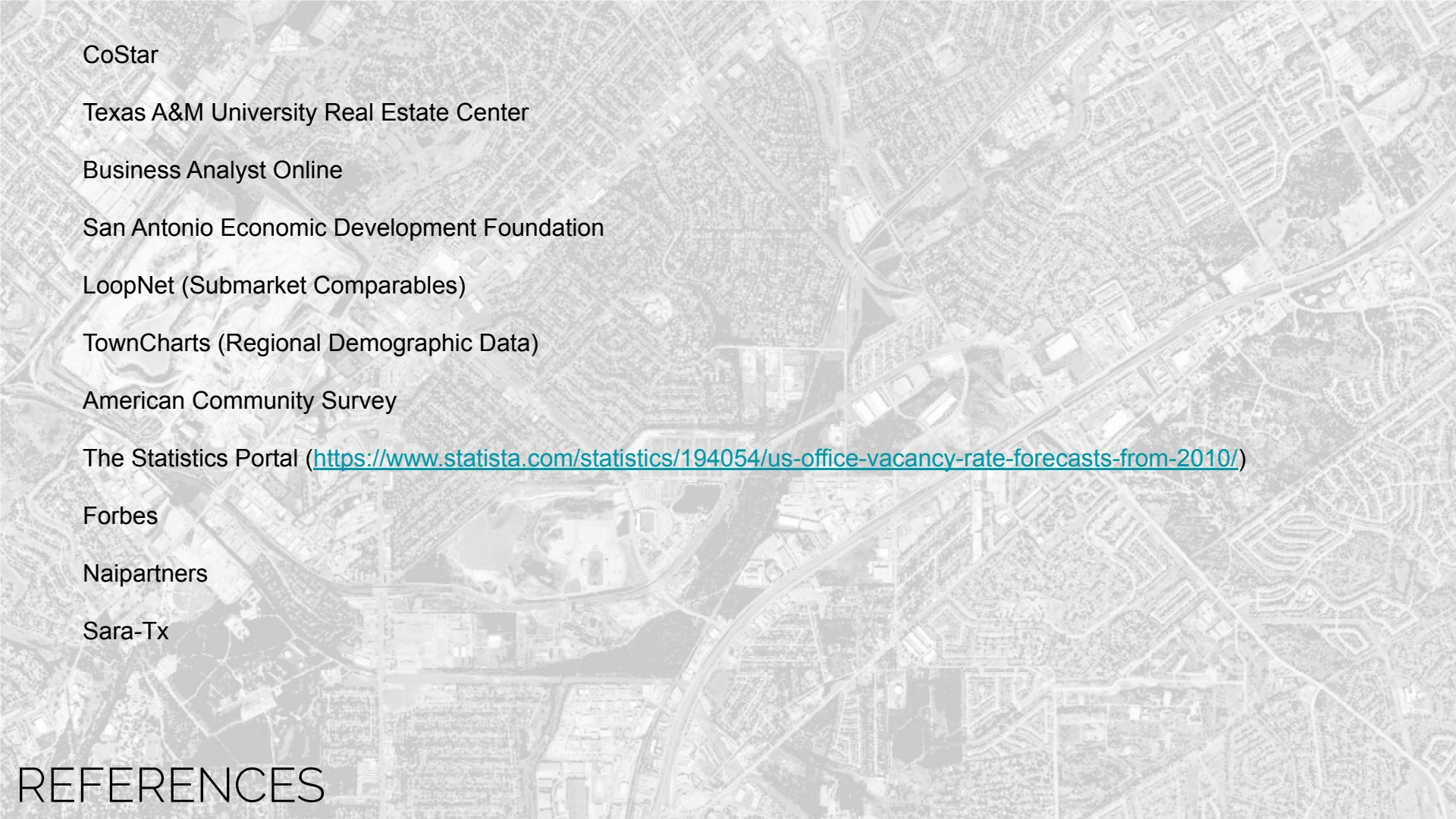
Current occupancy for the Class B market = **90.5% (3,362,339 sq ft)**

Total market demand = **349,097 SQFT / yr.**

Capture Rate = **9.63 %**

No historical capture record since it's vacant land (inferred analysis).

SUBJECT MARKETABILITY ANALYSIS

An aerial, grayscale photograph of a city, likely San Antonio, Texas. The image shows a dense urban grid with a prominent river winding through it. In the center, a large stadium with a distinctive roof is visible. The overall tone is muted and professional.

CoStar

Texas A&M University Real Estate Center

Business Analyst Online

San Antonio Economic Development Foundation

LoopNet (Submarket Comparables)

TownCharts (Regional Demographic Data)

American Community Survey

The Statistics Portal (<https://www.statista.com/statistics/194054/us-office-vacancy-rate-forecasts-from-2010/>)

Forbes

Naipartners

Sara-Tx

## REFERENCES