



S.A. again gets nods as city to invest in

Web Posted: 12/31/2007 11:39 PM CST

Creighton A. Welch
Express-News

Some publications are touting San Antonio as an investors' mecca for commercial and residential real estate because of South Texas' job growth, warm weather and relatively low home prices.

In August, the city was No. 6 on Forbes.com's list of best U.S. housing markets. In November, San Antonio topped the list of best real estate investment cities from NuWire Investors. And last month, HomeVestors placed San Antonio seventh on its list of best places for real estate investing.

Mike Moore, president of San Antonio-based Emerald Realty, said he has some California clients interested in local projects that could range from \$500,000 to \$400 million.

"They've identified San Antonio at the top of their list," he said. "They call San Antonio and Austin their 'warm belt' target."

The San Antonio housing market, which has survived better than the national market, has helped attract new residents to the city.

"It's a great place to find high-quality, affordable homes," said Ken Outcalt, with NRP Group, an Ohio-based real estate company. "San Antonio has the same economic job growth as the East Coast without the prices that you have on the East Coast."

That relative strength in housing has not only helped draw new residents, but it has caught the attention of commercial dealmakers, those who are involved in everything from hotels to shopping centers to warehouses.

"We've chosen in the past year to focus really on Central Texas and San Antonio," said Todd Caven, acquisitions manager for Kennedy Wilson, a Beverly Hills, Calif.-based real estate investment firm. "For us, San Antonio makes a lot of sense."

Kennedy Wilson acquired the 196,174-square-foot One Technology office building in the South Texas Medical Center this fall. This is the company's first San Antonio acquisition, and it plans to buy more.

Other San Antonio projects from outsiders have included Nashville, Tenn.-based Gaylord Entertainment Co's purchase of the Westin La Cantera Resort for \$252.5 million; a Dutch company, with U.S. headquarters in New York, announcing a \$300 million mixed-use project across Interstate 10 from The Rim; and an Australian investment firm acquiring 1 million square feet of industrial space.

So why are all these companies buying into San Antonio?

"San Antonio is exhibiting a lot of the fundamentals, including job growth," Caven said. "We've seen a lot more companies coming from out of the state. That has made it a lot more competitive."

San Antonio has added about 16,000 jobs during the past year, and unemployment is about 3.6 percent, according to Alamo WorkSource. By comparison, the statewide unemployment rate is 4.2 percent and the national level is 4.7 percent.

Caven also said San Antonio's business could have trickled down from its neighbor to the north.

"Investors who discovered Austin might feel like they're getting priced out there," he said. "I think San Antonio is the better value now."

Being priced out of other markets may be what's driving buyers to look in San Antonio.

"The investors aren't going to sit on the sidelines, they're going to look at other markets," said Ross Partlow, a real estate agent with Sperry Van Ness in San Antonio.

The local "cap rates" — how much profit can be made — are better than in other areas, Partlow said. Here, they can be more than 7 percent, while in California they may be 6 percent.

"The potential profit here looks good for them," said Partlow, who estimated that about one-third of San Antonio's commercial deals come from out of state.

What might not seem like a good deal to a local buyer — who has grown accustomed to the profits available — might be a chance to cash in for out-of-state buyers. This chance might help fuel the San Antonio market.

"San Antonio buyers are used to the cap rates, so they might not see it as much of an opportunity," Partlow said. "So some of the deals that may have had a hard time selling might not be as hard with an out-of-state buyer."

Besides their dollars, investors are also going to bring new ideas to San Antonio.

"They will bring certain concepts that are new to the market," Partlow said. "They bring relationships with them. If somebody has success in this market, word spreads."

This could be how a condo craze spreads, how new retail stores are introduced, or how San Antonio increases its prominence of green building.

Moore, who is working with California investors, said one of their requirements is that they incorporate environmental building.

"They sense they're a little bit ahead of San Antonio, and they want to be at the cutting edge here," Moore said. "If they can find the right projects to get started on, it could become a trend for local investors."

Out-of-state investors could also help improve the city.

Outcalt, with NRP Group, said one of his company's strategies is to build apartment complexes in areas that are just beginning a renaissance.

"I think a lot of our developments are catalysts for revitalizing neighborhoods," he said.

NRP Group manages several apartment complexes in San Antonio, including Costa Valencia and San Juan Square, and is the planning stages of a development on Cevallos Street in Southtown that could have 500 apartments and 20,000 square feet of retail space. Other investors, such as Parkford Properties, jump into the market with the hopes of revitalizing retail space.

That company just bought its first property in San Antonio, the Camelot Plaza In-Line Shops, a 77,000-square-foot shopping center near Windcrest. First and foremost, the company sees investment potential.

"The cap rates are more favorable in Texas than in California," said Frank Pournazarian, president of Parkford Properties, which is based in Encino, Calif. "The properties out of state make more sense for investment purposes compared with California."

Parkford Properties buys property where it can sign its own tenants. The Camelot has a 42,000-square-foot hole that used to be a Hobby Lobby. These empty spaces also let Parkford Properties buy properties at a discount.

"It seems like a city that is moving upwards," Pournazarian said. He also said his company is "absolutely looking to buy more property in San Antonio."

No matter what type of commercial property is involved, or the size of the project, out-of-state companies continue to buy in San Antonio, which could be a boon for the city.

"When buyers can't buy, they'll look elsewhere," Partlow said. "I think it could come across as being a good thing for San Antonio."

cwelch@express-news.net

Online at: <http://www.mysanantonio.com/business/stories/MYSA0101.01A.OutofstateInvestors.297e0ca.html>