



INVESTMENT REALTY CO. L.C.

THE RAUB REPORT

Commercial Real Estate Newsletter for San Antonio June 2008

Wow, has San Antonio ever been hot in the Press lately! We seem to be a ray of light in an otherwise gloomy national real estate economy. Here are some samples.

1. *Wall Street Journal* of June 4th says, "The San Antonio region is on a construction binge even as vacancies rise...the main concern is an overaggressive development pipeline." But *WSJ* goes on to mention our great job growth.

2. The *Forbes* edition of April 29, 2008, said San Antonio is one of the top recession-proof cities in America because of our solid employment growth and strong housing market. "It looks best positioned among the nation's largest metropolitan areas to ride out the current crisis...with solid employment figures and affordable home prices that continue to rise. Its industries continue to rise." Great praise for our fair City.

3. The Federal Reserve Bank monthly business health report recently showed San Antonio is the second strongest market in Texas behind the red-hot Houston energy-driven economy.

4. Sales of existing homes declined in April 17% according to San Antonio Board of Realtors, but the median price rose by over 4% in the same month. In 2007 S.A. saw appreciation of 8.3% for the year and we have one of the lowest inventories of new homes in the country. Foreclosures are elevated in number but are not alarming. Expect 8% to 10% appreciation for the year overall. Builders report a slower May for new home prospects. Maybe high gas prices are keeping folks from driving to new neighborhoods on the weekends?

5. Grubb & Ellis Retail reports...San Antonio with more than 4.7-million square feet of new retail space under construction; vacancy will likely increase because absorption will take a while to catch up. However, retail leasing agents report an increase in activity from the lull last Fall and Winter. The big ICSC retail convention in Las Vegas had only a very slight decline in attendance—an excellent barometer of retail's future health.

6. Our unemployment rate fell from 4.3% to 4%, pretty much full employment numbers. San Antonio ranked ninth in U.S. job growth with a gain of 18,900 in the past 12 months. If you don't have a job, you may need to think about some re-training or skills improvements.

7. And we can be proud that we passed one of the biggest bond issues in our history, the \$425-Million ACT (Arts, Culture and Tourism) extension of the hotel motel and rental car tax. This will produce San Antonio River improvements, new sports fields, and enhancements to the Municipal Auditorium and the Rodeo grounds.

All in all, while we are seeing a slowing in business activity due to lack of confidence fed by the media, the higher price of gas and its impact, and the ratcheting back of housing construction activity, I am confident San Antonio will get through this minor dip just fine.

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