

## Opportunities & Optimism

by Teresa Talerico for REDNews



**Bradley Bailey**  
Associate VP of Investment  
& Director National Group  
Marcus & Millichap - Austin



**Cynthia Ellison, CCIM**  
Senior Vice President  
Grubb & Ellis  
San Antonio

Bradley Bailey, associate vice president of investment and director within the national group at Marcus & Millichap in Austin; Cynthia Ellison, CCIM, senior vice president of Grubb & Ellis in San Antonio

### **REDNews: How is your company positioning itself in today's market environment?**

**Bradley:** What we're taking is a very constructive role with the investment owners of commercial real estate and trying to provide as much information on the market as it changes week to week and day to day. There are a lot of people looking for a direction and which way to turn and more information. (They want to) understand better what's going on. I don't know that a lot of investors are seeking that counsel. Our company is trying to position ourselves from an investment point of view to let them

know what's happening right now from a lending perspective, what's happening from a rental perspective, what's happening from the expenses and tenants and all the other factors that go into the operation and fundamentals of commercial real estate, so they can make an informed decision about what to do with their investment and how it meets their investment goals. ... We're trying to enlighten people and inform them about what may or may not happen in the next two to three years.

**Cynthia:** We're getting more creative in how we market properties and what kinds of deals we broker. For example, an opportunity might be to teach someone about sale leaseback. ... Over the next five years, we're going to see a lot more sale leaseback; it's a great way to gain capital with very little expense.

### **REDNews: What opportunities do you see in today's market?**

**Bradley:** In Austin and Central Texas, all the buyers are looking for opportunities in distressed assets and repurchases from banks. Everybody's trying to jump on the bandwagon and figure out if there's a huge deal out there. We're just not seeing those things start to shake out to the numbers and velocity that everybody thinks might happen. I don't know whether it will or not.

However, for long-term-hold investors, opportunities will present themselves for those who can rely on local or regional experts and understand the real estate.

**Cynthia:** In San Antonio the opportunities right now are in the

central business district. There are high vacancies down there, partially due to AT&T relocating to Dallas. Because vacancies are high, rents are less. There are opportunities for tenants to get inexpensive deals.

### **REDNews: Are you more optimistic today than at the start of the year?**

**Bradley:** I'm a lot more optimistic right now. ...Everybody is scrutinizing their rents and making sure that they're getting as much as possible, but they're also looking at the operational side on expenses. So we're back to the fundamentals of understanding and running real estate from day to day. When things were good, I don't think people were necessarily doing that. I think we got into a situation where it was good times and you start letting your foot off the gas. Next thing you know, you're not paying attention and you swerve a little bit. I'm optimistic on the direction that the market needs to go and what people need to do. I'm optimistic that the market's going to get better and there will be more velocity back to the market.

On the value side, I'm not optimistic there; I believe we're going to see a hit in Texas.



## Growth and Development Opportunities Along the I-35 Corridor

by Janis Arnold for REDNews

San Antonio's Real Estate Council met on May 6 at the Petroleum Club to discuss Growth and Development Opportunities along the I-35 Corridor. Adams & Polunsky, Ad Valorem Tax Advisors, sponsored the breakfast meeting.

Speaking to council members about the advantages and development incentives available in some of the I-35 corridor cities were representatives from New Braunfels, Schertz, and Live Oak.

Michael Meek and Robert Carrino from the city of New Braunfels reported on the city's Benchmark Survey 2008 results, noting that New Braunfels continued to experience unprecedented growth through the end of 2008 with median income in the city having increased 48% in the last five years. Employment was up 8.85% during 2008, residential property valuations increased over 87% in the past six years, and commercial property valuations increased 77.5% from 2003. Building permits thus far in 2009 show a slight decline, but there are recent 'glimmers of hope' noted as permit applications appear to be increasing.

In December of 2008, Caterpillar announced a major facility in Seguin and HEB announced the expansion of their distribution center in San Marcos signaling the movement of new jobs and capital investment dollars into the tri-city area of New Braunfels, San Marcos and Seguin. New Braunfels' largest private employer, The Scooter Store, also announced growth plans, and the city representatives discussed the incentive package that was provided to the company.

David Harris and George Antuna from the city of Schertz discussed all of the major infrastructure improvements and planned improvements that are contributing to the city's attractiveness to developers. The city currently has an excellent reliable water source, which is a big part of the reason that sales tax revenues and building permit applications are still up when compared to previous years. Other positive factors noted are: proximity to transportation, excellent average per capita retail expenditures, and the number of businesses and financial institutions already in the city. The city has developed a business retention expansion program that starts off asking current business owners what

the city can do to meet their needs. The city of Schertz is excited about commuter rail and exploring low cost financing for small businesses. David Harris, speaking for the city to Council members, said, "We're here to do business and we want to work with you!"

Matt Smith, Scott Wayman, and Carol Buttler from the city of Live Oak described their approach to overtures from developers as being characterized by a streamlined platting and permit process. They announced that when considering incentives, they will "look at any thing that is legal in Texas." The city's largest retail establishment is the Forum Shopping Center, located at the intersection of I-35, 1604, and Pat Booker Road. The Forum 'really put Live Oak on the map' and continues to attract shoppers from throughout the region. Another attractive feature of the city of Live Oak is that the residential and commercial sections of the town are somewhat separate. Live Oak is currently working to develop a downtown area and notes that the city park with the lake is very attractive to residents and visitors alike.

