



**INVESTMENT REALTY CO. L.C.**

## **THE RAUB REPORT**

### ***Commercial Real Estate Newsletter for San Antonio***

### ***December 2008***

With Thanksgiving just past and the Christmas Holidays just ahead, we need to pause to remember that we have a lot for which to be thankful—like living in San Antonio, Texas. Some of you may remember that twenty years ago we were on the belly of the financial whale. We had more foreclosures and bankruptcies than most other areas of the U.S.

Now we are perched on the back of the whale. While it may be going down, at least we have a much better view; it is a less scary ride, and we will get out of the water and into fresh air first. Sure, we do have excess inventory in home lots, office and retail space, and new apartment units, and this will slow development for at least the next year.

However, for these factoids we can be grateful:

- In San Antonio, jobs numbered 840,000 in 2007 and increased to 851,000 in 2008.
- Unemployment rate has moved up from 4.5% to 5.1%, but this is versus 6.1% for the nation.
- Employment is up 21% in the past 10 years, which is to say our City has grown by more than a fifth.
- Our cost of living is below the national average by 6%.
- The number of households is growing at a steady, healthy rate just over 2% per year.
- San Antonio just recently received a AAA bond rating from Standard and Poors.
- Regarding home values, for the 12 months ending in September, the average monthly median price in San Antonio was \$151,500, up 1 percent from the same period in 2007, compared with a 9% decline nationwide for that period.
- Government employment expansion will create steady job growth. Not yet having an impact is the new San Antonio Military Medical Center (old BAMC) which will have a \$5.7B impact on San Antonio including over 10,000 new jobs, not including trainees.
- Also not yet open, the National Security Agency with 3,000 jobs and 5,000 more collateral jobs off-site.
- Other notable new projects include Union Pacific's 300-acre Intermodal Terminal and numerous new data centers, including Microsoft's.

San Antonio's good position has also gotten us some favorable recognition in the national press:

- *Forbes Magazine* listed San Antonio has the 2<sup>nd</sup> most recession-proof city (behind Oklahoma City).
- S.A. is *Forbes* "2<sup>nd</sup> Best Bang for The Buck City" (behind Austin) based on low inflation rate, job growth projections, median house price versus median household income, cost of living and gas prices.
- S.A. ranked #2 in *Relocate America Magazine's* "Top 100 Places to Live."
- *Inc. Magazine's* #7 in "Best Large Cities to Do Business."
- *American Cities Business Journal's* #6 in "Employment Ranking of Largest Metro Areas" (Houston is #1, Austin #2, and Dallas #3).

What does all of this mean? Texas is one of the major markets seeing in-migration from other areas of the country, whereas California, New York, New England, Ohio, and Michigan are experiencing out-migration. Because of this, once the housing crisis eases and those folks yearning to get out of California and Detroit can sell their houses, San Antonio will become an attractive alternative for those in search of affordable housing and lower costs of living.

So, the good times rolled away in 2008, and may not roll back again until sometime next year, but now is the time to lay good foundations for the future. IRC is actively pursuing new investments in land and income properties. We also will be adding new associates to our company in the year to come. Let's all be thankful for the good things we have and pledge to make the most of our opportunities.

Very Happy Holidays to you and yours!

*Stephen A. Raub, CCIM*