

# San Antonio Express-News

## Retail space proliferates

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San Antonio's retail market still is growing despite a slowdown in the housing market and lower consumer confidence nationally.

For the third quarter of this year, new retail development delivered more than 818,000 square feet, which is due to the completion of a 635,000-square-foot Village at Stone Oak shopping center on the North Side and several smaller shopping centers.

That helped the city's retail inventory rise to 38.7 million square feet, which is a 5.4 percent increase over the same period last year, according to a survey by NAI REOC Partners.

New development in the first three quarters means the city has received more than 1 million square feet of space while demand only generated 815,728 square feet of positive net absorption — the net change in the amount of occupied space from the previous quarter.

Even with the new supply outpacing demand, it wasn't enough to raise the city's vacancy rate — it came in at 11.2 percent in the quarter, up only slightly from 11.1 percent at the same time last year, said Kim Gatley, director of research for NAI REOC Partners.

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"The perception of small-town San Antonio is changing, and forces are working together to change it — like the growth in population, the strong housing market even though it's down, and factors like Toyota drawing attention to San Antonio," Gatley said. "Construction is catching up to where other cities have been in the past."

•[REOC Partners Ltd.](#)

The Village at Stone Oak opened to the public 77 percent pre-leased with anchor tenants such as Super Target and Hobby Lobby.

Smaller centers, those less than 100,000 square feet, suffered the most in the third quarter. The vacancy rates at neighborhood centers climbed to 16.7 percent from 15 percent a year ago, and the rates for strip centers rose to 14.4 percent from 13.7 percent.

These smaller centers, Gatley said, raised a "yellow flag," but it's to be expected because smaller businesses tend to wait for a project to be completed before leasing.

At power centers, or properties more than 250,000 square feet, the vacancy rate rose to 5.8 percent from 4.1 percent a year ago.

NAI REOC also noted that the rising cost of tenant finish-out and operating expenses is driving up rental rates. For the quarter, the citywide average rental rate climbed to \$17.06 per square foot, up 6.8 percent over the previous year.

Despite growth outpacing demand, another 6 million square feet of retail space is currently under construction.

A few major projects account for nearly half of that, including Alamo Ranch Marketplace with more than 900,000 square feet in the far Northwest and Park North's 1 million square feet in North Central San Antonio.

Both these properties are about 80 percent pre-leased. NAI REOC said this is an indication that absorption will remain positive as these centers come online.

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