



# Major Texas Cities Panel:

## CCIM Houston October Luncheon

Houston/Gulf Coast  
CCIM Chapter

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### Austin:

- Biggest office year yet-up to \$36-37 rents; traffic bad in CBD; much of CRE growth is actually north of Austin where development permitting is much faster (1-2 months instead of 10+)
- Cap rate compression; many groups are scouring the market looking for value-add opportunities in the various segments; offerings are picked over; what's left is at a premium
- "Houston is a better place to find value-adds"
- Austin total has less than 70 million SF industrial total, and much of it is in R & D and specialized manufacturing, such as in wafer chips which cannot have a building with any vibrations; minimal number of distribution centers; not much bulk distribution
- Development west of MoPac is on strong limestone ground, BUT is in the Edwards Aquifer Recharge Zone and there are strict limits on impervious cover; on the east side of MoPac the ground is 'gumbo', clay that expands and contracts with the moisture content in the soil-each area provides unique challenges and costs to developers
- Austin is only large Texas city with no Loop Road around the city
- Linear market along I-35 north to Round Rock and south to Buda and Kyle is seeing much of the development action and the overall footprint of south of San Antonio to north of Austin along this freeway is beginning resemble the urban footprint of Houston and DFW
- With population growth Austin is beginning to have water problems, and lately an infestation of zebra mussels in water systems has caused big problems, at one point giving tap water a 'seafood' taste...and the aquifer level is slowly falling

### Dallas-Ft. Worth

- Area continues to have huge CRE momentum, with 56 buildings over 200,000 SF currently under construction; total of 36 million SF currently under construction
- There are some empty 'big boxes' but several new ones under construction
- North Ft. Worth is hot, and S. Dallas is slowing-labor is available there and so is the little remaining land in Dallas, but for a company to relocate there in the huge Metroplex means losing employees who live on the far north side; availability of labor is driving development decisions
- DFW has absorbed 11 million SF YTD but may be overbuilding a bit now
- Dallas developers are selling portfolios at 4 ½-5 caps and single properties are

going for the same to institutional investors; big developers are assembling big new portfolios of properties for the investor market

- People are scouring DFW for value add properties, as in other cities; big demand, low supply
- Industrial investor buyers are willing to pay compressed cap rates but do not want box warehouses with long-term leases, since they want to hike the rates as soon as they can
- Very little land left in Dallas proper, and development is moving apace on the once-ignored east side, in Garland and Mesquite; also north Ft. Worth, where 10 million SF are under construction
- DFW Airport is the Center of the Universe for CRE activity, but no more land
- New high ceiling big boxes are packing more and more people and tenant improvements into the increased cubic footage, so that the measurement 'by SF' may soon evolve to 'by cubic foot'
- As time passes, permitting time in the DFW Metroplex, once expeditious, is slowing down; rail has become bigger now for tenants, who use it to bargain with truck lines
- There are 35 developers in the Metroplex who can develop 300,000-1,000,000 buildings
- It is cheaper for users to contract for build-to-suit buildings that to move into spec warehouses, since the developers have to put their financial 'cushions' in spec buildings that they do not have in build-to-suit
- When next recession comes, it will be less brutal since developers are using less leverage
- With 175 people per day moving to the Metroplex, water is also a problem here

### San Antonio

- The north and west are the hot areas for development, although the CBD just got an expensive new Frost Bank tower
- Good job growth here, with Toyota plant expanding and addition of Navistar truck factory
- The highest income area is just north of the CBD
- New Braunfels along I-35 to the NE and Boerne along I-10 to the west are now considered "San Antonio"
- San Antonio has stable limestone subsurface in the north and west, but has a sometimes bothersome tree ordinance everywhere in the city; big trees are protected
- San Antonio recently installed a water pipeline from Robertson county, so there are no acute water problems at present