

Commercial

REAL ESTATE JOURNAL

3rd quarter • 2009

A supplement to the San Antonio Business Journal

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Explanation of Abbreviations:

DND: did not disclose
n/a: not applicable
N/A: not available
SIA: sales information available
BOMA: member of the Building Owners and Managers Association
NNN: triple net lease in which tenant pays for its share of

certain costs
 If the leasing company did not respond before press time, information is carried over from previous Commercial Real Estate Journal listings. If the leasing company does not respond to requests for updated information, the listing may be deleted.

Fax all corrections and updates on office & industrial space listings to Kim Hernandez at 477-0857.

NOTE: The contents of this special supplement have been written and compiled by the San Antonio Business Journal, and any errors or omissions are not the responsibility of the Building Owners and Managers Association, which is a sponsor of the supplement.

COVER: McAllister Plaza shot by Catherine Dominguez.



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It's all in the details: Renovations, perks reel in tenants



CATHERINE DOMINGUEZ / SAN ANTONIO BUSINESS JOURNAL

The interior of McAllister Plaza.

BY PATRICK DRISCOLL

The credit chill that gripped the nation last winter, sending shivers through even San Antonio's otherwise stable office market, has lately shown signs of warming.

But the financial thaw will be long, possibly several years, says Ernest Brown, Grubb & Ellis' managing director for Central Texas.

The local economy will pick up from office renters gaining a better footing, he said, but bankers will continue to cast a wary eye on building new projects.

"The financial markets are still screwed up and in turmoil," he says. "There is uncertainty out there."

Filling the voids

Two years ago, a developer with a good track record here could build a tower without any pre-leasing, Brown says. Today, lenders demand two-thirds or more be rented in advance, and they scrutinize credit of would-be tenants.

As San Antonio rolled into this year, the

recession and a glut in office construction was pushing growing vacancies through the roof, research from Grubb & Ellis and NAI REOC Partners shows.

By the second quarter, rising vacancies slowed and hovered around 18 percent to 19 percent, about a third higher than a year ago. Class A rents managed to stay

**'IT HAD REALLY GOOD BONES.
IT WAS WRAPPED IN UGLINESS.'**

Kenneth Baber
CEO
Maier Seibel Baber

flat from the first quarter, at about \$24 a square foot.

Led by a Medtronic lease in Overlook at the Rim and a Concorde Career College lease at Corporate Square Garden, the amount of occupied space actually grew in

the second quarter, just not as fast as new space opening up.

"In these challenging economic times, any positive movement is beneficial," a Grubb & Ellis report says.

But still be reckoned with is a trend by firms to relocate to their own buildings, leaving yet more backfill in the rental market.

Tesoro Corp. let go of 325,000 square feet in several scattered buildings to move into new headquarters at Ridgewood Park. AT&T pulled out of 312,000 square feet at the IBC Center as part of a move to Dallas. Wells Fargo left 72,800 square feet empty at the Brass Professional Center to move to a Westover Hills campus.

"Numerous vacancies anticipated for later in the year are going to make this a long and bumpy ride," the second-quarter Grubb & Ellis report says.

Over the next year, landlords will have
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FROM PAGE 3

to offer more concessions, the report says, and lingering vacancies will eventually take a toll on asking rents.

A look at some of the latest cracks in the market indicates reactions will vary.

"Every building has its own set of circumstances," Grubb & Ellis' Brown says.



COURTESY OF MAIER SIEBEL BABER

The entrance of McAllister Plaza before renovation.



COURTESY OF MAIER SIEBEL BABER

With a little spit and polish, the entranceway to McAllister Plaza was transformed from clunky to sleek and modern.

Riding the tsunami

In 2007, when San Francisco investor Kenneth Baber looked to expand his holdings in San Antonio, he saw the 12-story McAllister Plaza at U.S. 281 and Ramsey

Road as an undervalued duckling waiting to blossom.

"It had really good bones," says Baber, president and CEO of Maier Siebel Baber. "It was wrapped in ugliness."

Wide open floor plates, great views, plenty of parking, a hop across a highway to get to San Antonio International Airport, and columns and ramps rising fast to soon

See OFFICE, Page 6

Why Grubb & Ellis?

As one of the largest and most respected commercial real estate services and investment companies, we bring you strategies and insights from a team located right in your market. If you have any questions about our services or leasing and sale opportunities, we invite you to speak with us.

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<p>FOR LEASE</p>  <p>Laila Plaza</p> <p>5203 Eisenhower</p> <ul style="list-style-type: none"> Newly developed Generous TI available End caps available 	<p>FOR SALE</p>  <p>Plaza at Thousand Oaks</p> <p>2805 Thousand Oaks</p> <ul style="list-style-type: none"> 100% occupancy 30,237 SF; multi-tenant 8.5% cap rate 	<p>FOR LEASE</p>  <p>Grayson Office Building</p> <p>1422 Grayson Street</p> <ul style="list-style-type: none"> 48,064 SF available Across from Ft. Sam Ask about free rent! 	<p>FOR LEASE</p>  <p>Genesis Office Building</p> <p>7790 HWY 281 N</p> <ul style="list-style-type: none"> 4,900 SF, 1.05 acres 450' frontage on Hwy 281
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Industrial

<p>FOR SUBLEASE</p> <p>Mikron Facility</p> <ul style="list-style-type: none"> 98,400 SF facility Near Loop 410 & IH-35 	<p>FOR SALE</p> <p>4714 Shavano Oak</p> <ul style="list-style-type: none"> +/- 6,512 SF total, 0.496 acres Built 1999, Price reduced! 	<p>FOR SUBLEASE</p> <p>4726 Shavano Oak Flex Space</p> <ul style="list-style-type: none"> 9,000 SF avail. immediately Term: December 31, 2011
<p>FOR SUBLEASE</p> <p>Service Center Drive</p> <ul style="list-style-type: none"> 6,000 SF; +/- 2,000 SF office Access to Loop 410 & IH-35 	<p>FOR SALE</p> <p>Schertz Industrial Park</p> <ul style="list-style-type: none"> 10,000 SF, 0.775 acre lot Concrete/asphalt parking lot 	<p>FOR SALE OR LEASE</p> <p>17325 Bell North</p> <ul style="list-style-type: none"> 10,287 SF office/warehouse Land area: .746 acres

Land

<p>Kerrville Town Creek</p> <ul style="list-style-type: none"> 374 acres User sites or bulk sale Frontage on IH-10 Price reduced! 	<p>Corpus Christi Ship Channel</p> <ul style="list-style-type: none"> 425 acres Largest single tract available near the Valero Refinery Seller may consider dividing 	<p>Port Isabel Mixed-Use</p> <ul style="list-style-type: none"> 975 acres, mixed use land Large retail sites, hotel, office Land directly opposite Wal-Mart and HEB
<p>Watson Lane/IH-35</p> <ul style="list-style-type: none"> Up to 13.68 acres, may divide Power and water available Close to proposed "Loop" connection to IH 35 	<p>Steubing Farm Land</p> <ul style="list-style-type: none"> 230 acres Student housing potential Never before offered for sale Just south of UTSA 	<p>Schwab Road/IH-35</p> <ul style="list-style-type: none"> 139 acres Retail, office & industrial Utilities: water, sewer, gas, electricity, fiber optic

Management

Grubb & Ellis Management Services, Inc. (GEMS) currently manages over 225 million square feet nationally. Locally, the Central Texas offices of San Antonio and Austin manage in excess of 3.1 million square feet of office, retail and industrial properties.

<p>PROPERTY MGMT</p> <p>Tesoro Corporate Headquarters</p> <ul style="list-style-type: none"> 618,000 SF 	<p>FACILITIES MGMT</p> <p>Microsoft Data Center</p> <ul style="list-style-type: none"> 477,000 SF 	<p>PROPERTY MGMT</p> <p>Fountainhead Business Park</p> <ul style="list-style-type: none"> 171,124 SF
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FROM PAGE 4

smoothly connect U.S. 281 and Loop 410 all shouted potential, Baber says.

He also knew Tesoro planned to vacate almost half of the building's 190,000 square feet this year, and that became part of his strategy to remake and remarket the building, built in 1982, as a new top-tier office location.

Over the next year, Maier Siebel Baber spent millions of dollars to refinish the inside and outside of McAllister Plaza, transforming it from Class B to Class A.

The refurbishing, at less than 20 percent of the building's purchase price rather than the usual 50 percent, was a bargain, Baber said.

"A huge coup," he says.



Brown

The firm replaced common areas, elevators, air conditioning and wall coverings, added lighting, gussied up bathrooms, ripped up asphalt to plant grass and trees and added sleek aluminum panels on the outside to punch back hot sunlight.

"So it's just, it's a new building," Baber says. "We timed it perfectly for the market tsunami of our lifetime."



COURTESY OF MAIER SIEBEL BABER

Kenneth Baber, president and CEO of Maier Siebel Baber, purchased and renovated McAllister Plaza.

Today, McAllister Plaza wears a mirrored-glass and silver-like suit as it stands gleaming over U.S. 281 traffic. The highway is flanked by new interchange ramps accented with fresh bands of rust-colored paint.

The asking rent runs about \$24 a square foot, \$4 less than first expected, and tenants have room to negotiate creative rent

structures and turn-key upgrades.

Maier Siebel Baber has since lost one tenant, signed up another and, except for Tesoro, renewed all other leases. To fill Tesoro's shoes, half the marketing is targeted to customers outside San Antonio, up from a typical 20 percent.

"We won't fill all this this year, that's

See OFFICE Page 7

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Empty space left by Tesoro at 300 Concord Plaza was absorbed by Whataburger Restaurants headquarters.

FROM PAGE 6

just not how the world works,” Baber says. “But we’ll probably get more than half of them. We’re six to eight months behind on this because of the leasing market.”

Baber recently invested some 80 hours, and his staff a few hundred more, trying

to woo Whataburger Restaurants into relocating its corporate headquarters to McAlister Plaza.

But the burger giant, at the time based in Corpus Christi and hunting for a new home, settled on digs just down the highway, in another spot vacated by Tesoro.

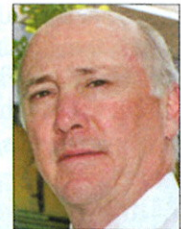
They will come

300 Concord Plaza, a tilt-wall structure filling three stories in the shadow of the old Harte-Hanks Tower and cupped by a drainage swale at the southern juncture of U.S. 281 and Jones Maltsberger, was built in 1999 to be a headquarters.

The floors were fitted to handle big business departments such as human resources, accounting, marketing and financial. The campus includes a parking garage and is ringed by lush oak trees.

So with Tesoro ready to dump its 141,000 square feet of Concord Plaza space into a ballooning sublease market, and several years of rising office rents now flat lining, Whataburger saw a great opportunity.

Hitting \$1 billion in sales for first time in 2007 and seeking room to flex more, the restaurant franchiser spent two years researching where to relocate its headquarters. In November, officials announced they’ll move to San Antonio.



King

See OFFICE, Page 8

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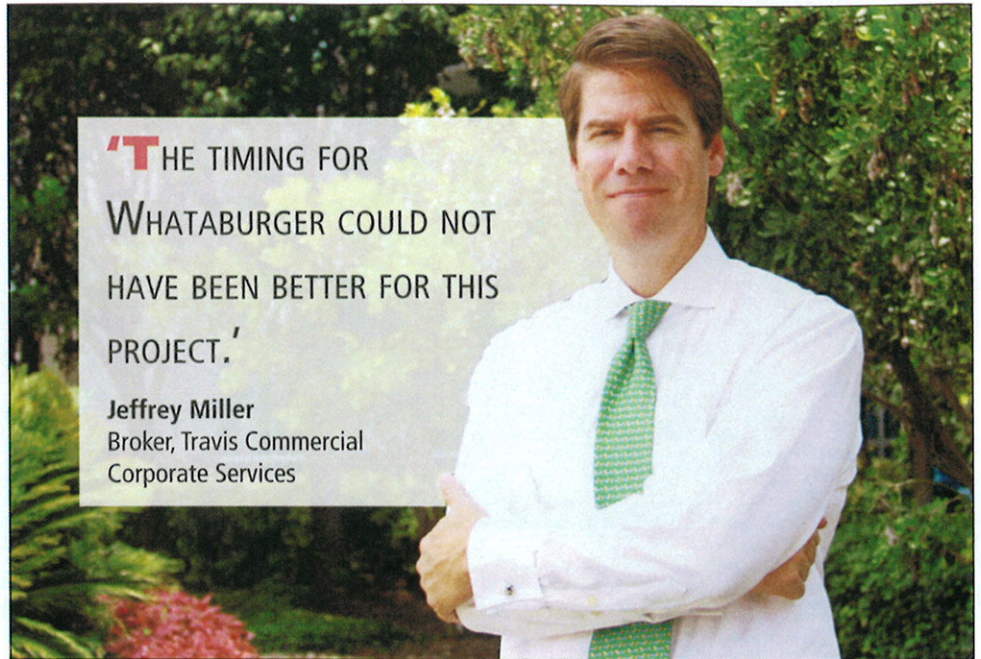
FROM PAGE 7

“At the end of the day we were looking at probably 10 buildings,” said Jeffrey Miller of Travis Commercial Corporate Services, who oversaw the transaction.

Concord Plaza wasn't up for sale. But the high visibility, proximity to good schools and the airport and the ready-made corporate layout fit like a glove. Whataburger approached the owners with a purchase offer, and closed the deal in March.

“We came to the building, the building didn't come to us,” Miller says. “The timing for Whataburger could not have been better for this project. They made a very smart buy.”

After some upgrades, Whataburger moved in by mid July, in time for families to get their children into classes before the traditional school year starts. The shuffling brought more than 200 additional corporate jobs to San Antonio.



'THE TIMING FOR WHATABURGER COULD NOT HAVE BEEN BETTER FOR THIS PROJECT.'

Jeffrey Miller
Broker, Travis Commercial Corporate Services

CATHERINE DOMINGUEZ/ SAN ANTONIO BUSINESS JOURNAL

Jeff Miller of Travis Commercial Corporate Services oversaw the sale transaction of 300 Concord Plaza.

Marketing recession-style

A down market doesn't mean a full-tilt marketing campaign is necessarily needed to fill large empty spaces, says Brown of Grubb & Ellis.

His firm is quietly helping a tenant offload about 13,000 square feet in the Mercantile

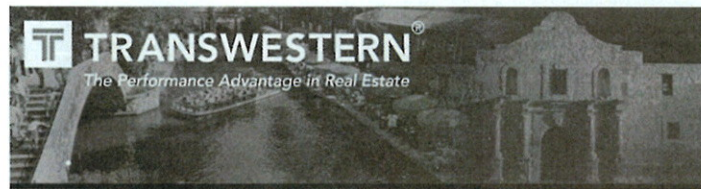
Building at Loop 410 and McCullough Avenue. The renter wants to downsize but without a public announcement.

The 1981 building, known for the colorful whirling leaves of metal fixed to a column and the spinal-curve wall of windows that

waves to Loop 410, can easily absorb the hit. The location is prime, and 98 percent of the 211,000 square feet is leased.

Efforts that include a blast of 1,500 e-mails to potential clients and listing the

See OFFICE, Page 10



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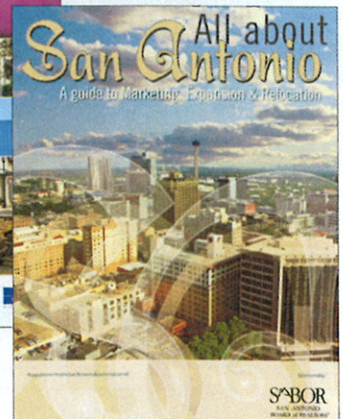


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COURTESY OF NF MANAGEMENT

The Mercantile Building is conducting a quiet, personal campaign to fill about 13,000 square feet of space.

FROM PAGE 8

space on industry databases could be enough to find new renters, said Clint Parker of Grubb & Ellis.

Considering that the 13,000 square feet fetched something like \$18 a square foot

several years ago when the contract was signed and that today's asking rate is about \$23, a better deal could also be had, Brown says.

year," Brown says.

Attractive and sexy

Another positive for the Mercantile Building, as well as much of the rest of the local office market, is that San Antonio remains better off than many other cities.

The local economy isn't prone to the same peaks and valleys as the rest of the nation, and developers here didn't over-build as much as in other areas.

"I really think that San Antonio and Austin and Central Texas is extremely well-positioned," Parker says. "Our market has become this attractive, sexy market for national investors."

PATRICK DRISCOLL is a San Antonio freelance writer.

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"I REALLY THINK THAT SAN ANTONIO AND AUSTIN... ARE EXTREMELY WELL POSITIONED."

Clint Parker
 Broker, Grubb & Ellis

Still, getting new leases won't happen overnight.

"I would wager that we could have at least half of it leased by the end of this



Sandi Leone
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