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**Medical Office Market Snapshot**  
 San Antonio Metropolitan Area  
**First Quarter 2014**



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# Medical Office 1Q 2014



## OVERVIEW

The growing medical hub along the Highway 151 corridor in Westover Hills was a major contributor to the San Antonio medical office market in the first quarter. Two new medical office buildings totaling 115,000 square feet were delivered which raised the citywide inventory of medical-only office space to more than 6.5 million square feet.

In all, the citywide medical office market experienced 77,204 square feet of positive net absorption for the months of January, February and March. Although the addition of new space caused the citywide vacancy rate to tick up slightly to 17.2% compared to 16.8% last quarter, it stands slightly improved compared to 17.8% recorded a year ago.

CITYWIDE			CENTRAL BUSINESS DISTRICT			NON-CBD		
	1Q 2014	1Q 2013		1Q 2014	1Q 2013		1Q 2014	1Q 2013
<b>All Classes</b>			<b>All Classes</b>			<b>All Classes</b>		
Inventory	6,511,864	6,379,293	Inventory	1,012,037	1,012,037	Inventory	5,499,827	5,367,256
Available	1,122,031	1,135,137	Available	82,060	101,346	Available	1,039,971	1,033,791
%Vacant	17.2%	17.8%	%Vacant	8.1%	10.0%	%Vacant	18.9%	19.3%
Average Rent	\$23.83	\$23.72	Average Rent	\$20.78	\$20.71	Average Rent	\$24.40	\$24.31
1Q Absorption	77,204	141,532	1Q Absorption	0	20,995	1Q Absorption	77,204	120,537
YTD Absorption	77,204	141,532	YTD Absorption	0	20,995	YTD Absorption	77,204	120,537
<b>Class A Space</b>			<b>Class A Space</b>			<b>Class A Space</b>		
Inventory	2,385,404	2,234,162	Inventory	125,406	125,406	Inventory	2,259,998	2,108,756
Available	407,477	415,620	Available	9,364	23,960	Available	398,113	391,660
%Vacant	17.1%	18.6%	%Vacant	7.5%	19.1%	%Vacant	17.6%	18.6%
Average Rent	\$27.26	\$27.17	Average Rent	\$23.24	\$23.24	Average Rent	\$27.48	\$27.41
1Q Absorption	61,921	109,315	1Q Absorption	0	12,733	1Q Absorption	61,921	96,582
YTD Absorption	61,921	109,315	YTD Absorption	0	12,733	YTD Absorption	61,921	96,582
<b>Class B Space</b>			<b>Class B Space</b>			<b>Class B Space</b>		
Inventory	3,544,683	3,563,354	Inventory	815,490	815,490	Inventory	2,729,193	2,747,864
Available	567,207	589,358	Available	70,419	75,109	Available	496,788	514,249
%Vacant	16.0%	16.5%	%Vacant	8.6%	9.2%	%Vacant	18.2%	18.7%
Average Rent	\$22.37	\$22.36	Average Rent	\$20.46	\$20.42	Average Rent	\$22.94	\$22.97
1Q Absorption	16,602	38,555	1Q Absorption	0	8,262	1Q Absorption	16,602	30,293
YTD Absorption	16,602	38,555	YTD Absorption	0	8,262	YTD Absorption	16,602	30,293
<b>Class C Space</b>			<b>Class C Space</b>			<b>Class C Space</b>		
Inventory	581,777	581,777	Inventory	71,141	71,141	Inventory	510,636	510,636
Available	147,347	130,159	Available	2,277	2,277	Available	145,070	127,882
%Vacant	25.3%	22.4%	%Vacant	3.2%	3.2%	%Vacant	28.4%	25.0%
Average Rent	\$18.73	\$18.45	Average Rent	\$20.11	\$19.61	Average Rent	\$18.53	\$18.29
1Q Absorption	(1,319)	(6,338)	1Q Absorption	0	0	1Q Absorption	(1,319)	(6,338)
YTD Absorption	(1,319)	(6,338)	YTD Absorption	0	0	YTD Absorption	(1,319)	(6,338)

Statistical Information is calculated for all multi-tenant medical office buildings 20,000 sq. ft. and larger (excluding Single-Tenant, Owner-Occupied, Government & Clinical Facilities). Average Rental Rates reflect asking rental rates quoted on an annual full-service basis. Individual building rates are weighted by the total rentable square footage of the building.

## SIGNIFICANT LEASE TRANSACTIONS

Tenant	Building	Size	Submarket
Center for Healthcare Services	Legacy Oaks	11,718	North West
South Texas Radiology & Imaging Centers	Wonderland Medical Center	9,633	North West
Alamo Pediatrics	1919 Oakwell Farms Pkwy	5,930	North East
Dentures & Dental Services	Wonderland Medical Center	5,447	North West
Health Texas	Alamo Hills Shopping Center	4,500	North East
San Antonio Cosmetic Surgery	* Westover Hills Medical Plaza III	4,264	Far West
Dr. Jawad Zar Shaikh	* Westover Hills Medical Plaza III	3,387	Far West

Lease transactions reflect medical related activity in both Medical-Only (\*) and general commercial buildings.

## RECENT SALE TRANSACTIONS

Building	Buyer	Size	Submarket
5109 Medical Dr.	SA 5109 Medical LP / Stream Realty	80,000	North West
1122 Austin Hwy.	Travis Davis LLC	10,336	North East
7402 John Smith	ABEQ, Ltd.	10,050	North West
19234 Stonehue	19234 Stone Hue LLC / Anwar Gerges, MD	6,000	Far North

## WHAT'S NEW

Medical Plaza III (70,000 sf), located on the CHRISTUS Santa Rosa Hospital campus in Westover Hills, reached completion early in the quarter and came online with significant pre-leasing in place including the CHRISTUS Santa Rosa Family Health Center which opened in February.

On the opposite side of Highway 151, construction was completed at Westover Hills Medical at Town Center (45,000 sf) – the first multi-tenant, multi-story medical office building in the Westover Hills area not directly affiliated with a hospital. The building was reportedly 68% pre-leased at the end of the first quarter with a variety of modalities including primary care, pediatrics, urology, physical therapy, a multi-specialty clinic and a pharmacy.

Aside from the medical buildings located adjacent to the two area hospitals currently under construction (Forest Park and Resolute Health), there are no active projects in the speculative development pipeline but pre-leasing efforts are currently underway to advance the 930 Broadway (82,881 sf) project planned at Broadway & Jones. Other proposed projects include the Sunset Office Building (34,000 sf), a two-story professional office building to be located on Sunset Road just east of US Highway 281, and a two-story building at Villages of Sonterra (30,000 sf) to complete the build-out of that project on Sonterra Boulevard

The outlook for the local medical office market remains strong because San Antonio's robust healthcare industry continues to create new jobs and generate demand for medical office space.

## DEFINITIONS

### Absorption (Net)

The change in occupied space in a given time period expressed in square feet.

### Average Asking Rental Rate

Non-weighted strict average rental rate quoted on an annual full-service basis; rents quoted on a non-full-service basis (such as NNN) have been calculated up to reflect a full-service rate.

### Direct Vacancy

Space currently available for lease directly with the landlord or building owner; excludes sublease space.

### SF/PSF

Square foot/per square foot, used as a unit of measurement

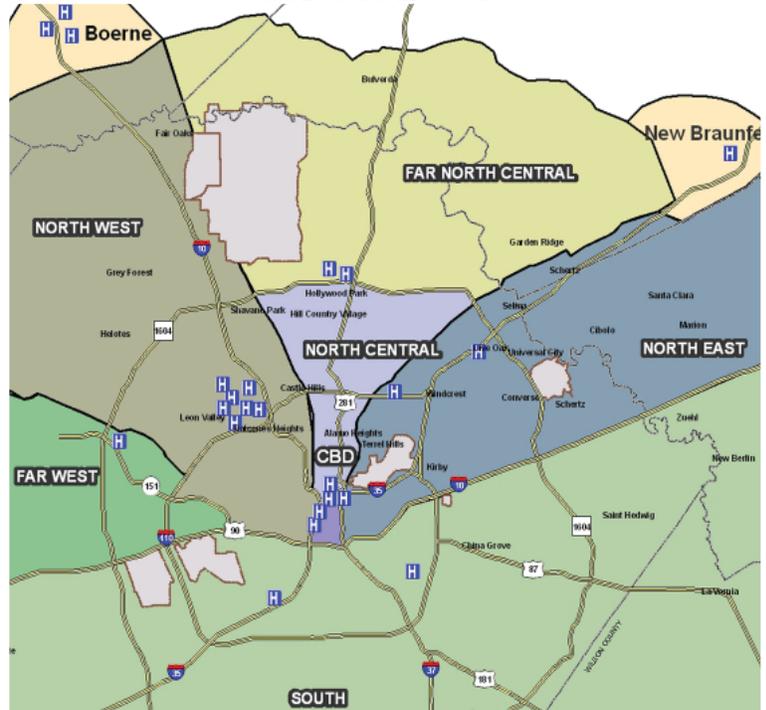
### Sublease

Arrangement in which a tenant leases rental property to another and the tenant becomes the landlord to the subtenant.

### Sublease Space

Total square footage being marketed for lease by a tenant; sublease space is not considered in the overall occupancy or absorption numbers – only direct leases are included.

## SUBMARKET MAP



## PROPERTY TYPES

**Class A** - top-tier medical office buildings situated in prime locations, in many cases attached or connected to hospital facility; features high quality standard interior finish and excellent amenities which command premium rental rates.

**Class B** - well-located but perhaps older medical office buildings with average standard interior finish and some amenities which command average market rental rates.

**Class C** - older office buildings in secondary locations with few, if any, amenities.

## CRITERIA

This study includes San Antonio area medical-only office buildings 20,000 square feet or larger excluding owner-occupied, single-tenant, government and clinical facilities.

For more information about this report, please contact Kim Gatley, Senior Vice President & Director of Research.

## SERVICES

REOC San Antonio is actively involved in all aspects of commercial real estate: project leasing, acquisition and disposition, buyer and tenant representation, site selection, property management, construction supervision, development, research, marketing and consulting.

For additional information about our services, please contact:

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