



**2004**

**T H I R D  
Q U A R T E R  
E C O N O M I C  
R E P O R T**

Prepared by

**The Greater San Antonio Chamber of Commerce  
Economic Analysis Panel  
Travis Tullos, Chairman**

## EMPLOYMENT

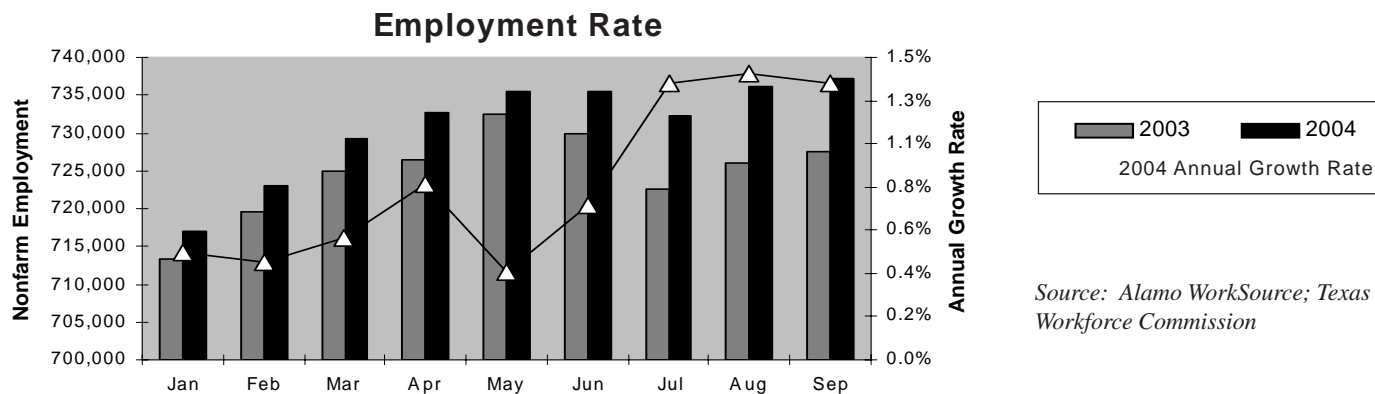
	3 <sup>rd</sup> Q 2004*	2 <sup>nd</sup> Q 2004*	Actual Change	Percent Change	3 <sup>rd</sup> Q 2003*	Actual Change	Percent Change	* Three (3) month average
Total Nonfarm Employment	735,200	734,400	800	0.1%	725,400	9,800	1.4%	
Natural Resources & Mining	2,300	2,300	0	0.0%	2,300	0	0.0%	
Construction	41,800	40,600	1,200	3.0%	41,300	500	1.2%	
Manufacturing	44,200	44,100	100	0.2%	44,800	-600	-1.3%	
Trade/Transportation/Utilities	130,200	129,300	900	0.7%	129,500	700	0.5%	
Information	23,600	23,600	0	0.0%	23,700	-100	-0.4%	
Financial Activities	60,600	60,100	500	0.8%	59,400	1,200	2.0%	
Professional & Business Services	89,900	88,000	1,900	2.2%	86,900	3,000	3.5%	
Education & Health Services	98,300	98,300	0	0.0%	96,500	1,800	1.9%	
Leisure & Hospitality	84,700	83,600	1,100	1.3%	83,500	1,200	1.4%	
Other Services	28,000	27,900	100	0.4%	27,200	800	2.9%	
Government	131,800	136,700	-4,900	-3.6%	130,800	1,000	0.8%	

◆ San Antonio added 800 jobs in the third quarter compared to 9,800 jobs over the year. The annual pace of growth (1.4%) is quite healthy as it has broken the 1% mark for the first time since the end of 2002. The majority of the job gains since June have been in the Professional & Business Services (1,900) and Construction (1,200).

◆ San Antonio's annual growth rate for the third quarter led the major Texas cities at 1.4%. Houston was close behind at 1.1%, Austin at 0.9% and Dallas at 0.8%, Fort Worth experienced 0.5%, and Corpus lagged at -0.8%.

◆ Other industries contributing to the employment growth over the last year were Professional & Business Services (3.5%), Other Services (2.9%), Financial Activities (2.0%), Educational & Health Services (1.9%), Leisure & Hospitality (1.4%), and Construction (1.2%).

◆ Manufacturing had the most job losses at 600 over the past year.



## UNEMPLOYMENT RATE

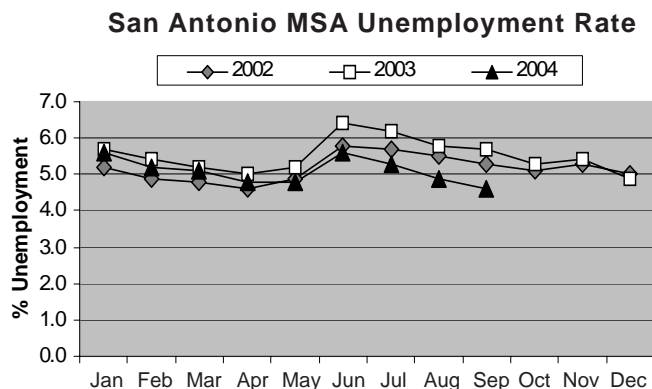
	3 <sup>rd</sup> Q 2004*	2 <sup>nd</sup> Q 2004*	Percent Change	3 <sup>rd</sup> Q 2003*	Percent Change
Austin	4.5	4.6	-0.1	6.0	-1.5
Corpus Christi	6.9	6.8	0.1	7.0	-0.1
Dallas	6.0	6.1	-0.1	7.3	-1.3
Fort Worth	5.5	5.6	-0.1	6.7	-1.2
Houston	6.3	6.4	-0.1	7.3	-1.0
<b>San Antonio</b>	<b>4.9</b>	<b>5.1</b>	<b>-0.2</b>	<b>5.9</b>	<b>-1.0</b>
Texas	5.8	5.9	-0.1	7.1	-1.3

Source: Alamo WorkSource; Texas Workforce Commission

\* Three (3) month average

◆ San Antonio's rate of 4.9% is well below the state's rate of 5.8%; only Austin's rate is lower at 4.5%.

◆ All of Texas' major cities saw a drop in unemployment compared to one year ago; the San Antonio MSA had one of the smallest drops at 1.0% but its rate was not as high initially.



## PLATTING

All Types of Subdivisions *	Year to Date 2004	Year to Date 2003	Percent Change
Total Plat Applications	427	387	10.3%
Total Plat Applications - Acres	5,447	4,283	27.2%
Total Plat Approvals	323	357	-9.5%
Total Plat Approvals - Acres	6,589	4,044	62.9%

\* Includes Single Family, MultiFamily, Commerical, Industrial, Institutional, Other

- ◆ Plat applications, a barometer of future development, are up 10.3% year-to-date 2004 compared to 2003.
- ◆ Plat applications (up 27.2%) and plat approvals (up 62.9%) are reflecting a larger number of acres in future developments.

Source: City of San Antonio, Planning Department

## WATER

	3 <sup>rd</sup> Quarter 2004	2 <sup>nd</sup> Quarter 2004	Percent Change	3 <sup>rd</sup> Quarter 2003	Percent Change
Number of Customers	312,694	310,792	0.6%	304,836	2.6%

Source: San Antonio Water System

- ◆ The San Antonio Water System has, in recent years, forecasted a 2% increase in the number of customers. However, since May of this year, the number of customers has been increasing closer to a rate of 3% from 2003.

## UTILITIES

	3 <sup>rd</sup> Q 2004	3 <sup>rd</sup> Q 2003	Percent Change
CPS Electric Sales (MWH)	5,493,188	5,451,962	0.8%
CPS Electric Customers (avg.)	632,112	600,850	5.2%
CPS Gas Sales (MCF)	3,449,106	3,426,066	0.7%
CPS Gas Customers (avg.)	314,500	304,312	3.3%

- ◆ Electric sales are up 0.8% for the third quarter of 2004 compared to the third quarter of 2003, reflecting a warmer fall than usual.
- ◆ Customer growth was a healthy 5.2% in electricity and 3.3% in gas.

Source: City Public Service

## SALES TAX ALLOCATIONS (CITY OF SAN ANTONIO)

	3 <sup>rd</sup> Quarter	Year to Date
2003	\$38,710,135.80	\$114,504,752.94
2004	\$39,902,734.16	\$121,112,630.36
Percent Change	3.1%	5.8%

- ◆ Sales tax revenue is up a significant 5.8% for the first three quarters of 2004 compared to 2003. This trend is especially encouraging as the city's tax rate decreased from 1.125% to 1.000% in July; the month of September's allocation was the first to reflect this new rate.

Source: Texas Comptroller of Public Accounts

## MULTI-FAMILY

	3 <sup>rd</sup> Q 2004	2 <sup>nd</sup> Q 2004	Percent Change	3 <sup>rd</sup> Q 2003	Percent Change
Average Monthly Rent*	\$654.65	\$657.28	-0.4%	\$655.03	-0.1%
Average Monthly Rent/Square Foot	\$0.850	\$0.854	-0.5%	\$0.852	-0.2%
Approximate Occupancy Rate	93.4%	93.0%	0.4%	93.6%	-0.2%

Source: Cockrell Realtors

\* Note: Monthly rents are based upon quoted "street" rates and do not reflect discount programs which may be in effect.

- ◆ Occupancy rates have dropped 0.2% from one year ago but still reflect a stable overall market.
- ◆ Relatively flat rental rates (-0.1% since the third quarter of 2003) reflect some softness in the market.
- ◆ Approximately 8,193 units are newly opened or will enter the market during the next twelve months. There is a trend back to traditionally financed projects as opposed to "Affordable Housing" projects.

## OFFICE SPACE

	3 <sup>rd</sup> Q 2004	2 <sup>nd</sup> Q 2004	Percent Change	3 <sup>rd</sup> Q 2003	Percent Change
Percent Vacant	18.7%	18.8%	-0.1%	17.8%	0.9%
Average Annual Rent (psf)	\$17.69	\$17.83	-0.8%	\$17.59	0.6%
Quarterly Absorption (SF)	48,635	128,602	—	-26,631	—
YTD Absorption (SF)	213,123	146,044	—	-210,823	—
Sublease Available (SF)	430,000	419,000	2.6%	593,800	-39.1

Source: REOC Partners, Ltd.

- ◆ The vacancy rate of 18.7% for the third quarter 2004 is up 0.9% compared to the third quarter of 2003. Yet the average rental rate increased 0.6% or 10 cents. Most of that increase is in the Class B market, while Class A buildings still have large direct vacancies and sublease space available.
- ◆ More than 225,000 square feet of leasing activity was reported in the third quarter, making it 841,000 square feet for the year. The majority of this activity, however, can be characterized as “horizontal movement”.
- ◆ This quarter marked the fourth consecutive quarter of positive absorption and it is likely that the market will generate positive annual absorption for the first time since 2000.

## RETAIL SPACE

	3 <sup>rd</sup> Q 2004	2 <sup>nd</sup> Q 2004	Percent Change	3 <sup>rd</sup> Q 2003	Percent Change
Percent Vacant	12.9%	13.4%	-0.5%	13.3%	-0.4%
Average Annual Rent (psf)	\$14.61	\$14.51	0.7%	\$13.93	4.9%
Quarterly Absorption (SF)	349,128	272,015	—	206,280	—
YTD Absorption (SF)	912,784	563,656	—	684,303	—

- ◆ Vacancy in the retail real estate market is down a slight 0.4% since the third quarter of 2003.
- ◆ Rents, however, are up 4.9% from one year ago. The average rental rate has risen in every category of retail space — neighborhood centers, power centers, community centers, and strip centers.
- ◆ Positive absorption continues at a healthy pace with 912,784 square feet of positive absorption year-to-date. Consumer confidence and a robust housing market continue to fuel retail activity and development.

Source: REOC Partners, Ltd.

## INDUSTRIAL SPACE

	3 <sup>rd</sup> Q 2004	2 <sup>nd</sup> Q 2004	Percent Change
Percent Vacant	13.7%	13.5%	0.2%
Average Annual Rent (psf)	\$4.69	\$4.64	1.1%
Quarterly Absorption (SF)	147,344	58,790	—
YTD Absorption (SF)	-94,752	-242,096	—

- ◆ Vacancy is up slightly (0.2%) since the second quarter and rent is up 1.1%. The rise in average asking rent is primarily attributable to demand for R&D/Flex space, whose asking rent rose 57 cents.
- ◆ Positive absorption of 147,344 marks the second consecutive quarter of growth. The year-to-date figure has been cut to -94,752, down significantly from -242,096 in the second quarter.

Source: Grubb & Ellis

## EXISTING RESIDENTIAL

	3 <sup>rd</sup> Q 2004*	3 <sup>rd</sup> Q 2003*	Percent Change	Year-To-Date 2004* (September)	Year-To-Date 2003* (September)	YTD % Change
Number of Sales	4,359	4,151	5.0%	14,361	12,597	14.0%
Value of Sales	\$665,969,109	\$611,947,155	8.8%	\$2,092,833,678	\$1,777,932,408	17.7%
Listings Filed	8,070	7,571	6.6%	24,430	22,499	8.6%

Source: Kuper Realty Co., Multiple Listing Service

\* Quarterly figures are sums computed from monthly reports. Year-to-Date figures will not always match the sum of each month's statistics because of delays in reporting and changes to the data that do not subsequently get modified in the monthly reports.

- ◆ Sales for year-to-date 2004 are up a robust 14% compared to year-to-date 2003, and valuations are up an impressive 17.7%.
- ◆ An 8.6% jump in listings in 2004 year-to-date figures compared to 2003 year-to-date figures reflects continued confidence in the San Antonio housing market.

## CONVENTIONS & VISITORS

	3 <sup>rd</sup> Q 2004	3 <sup>rd</sup> Q 2003	Percent Change	YTD 2004 (September)	YTD 2003 (September)	Percent Change
Bureau-Booked Delegate Attendance	117,652	90,882	29.5%	419,230	352,184	19.0%
Bureau-Booked Convention Room Nights	143,070	135,919	5.3%	558,006	560,569	-0.5%
Bureau-Booked Convention Del. Expenditures	\$106,000,000	\$81,900,000	29.4%	\$377,700,000	\$317,300,000	19.0%
Future Convention Room Nights Booked by Bureau	216,648	277,738	-22.0%	589,680	728,093	-19.0%
# of Unique Visitors to www.SanAntonioVisit.com	363,014	369,171	-1.7%	1,209,370	991,891	21.9%

- ◆ Convention business for the third quarter of 2004 saw increases in both attendance (29.5%) and room nights (5.3%) compared to last year.
- ◆ Major third quarter conventions hosted include Church of God, Conference for the Advancement of Mathematics Teaching, League of United Latin American Voters, and Texas Bandmasters Association.
- ◆ Competition in the industry continues with future convention room night bookings down 22% in the third quarter.
- ◆ Major third quarter future convention bookings include Shriners of North America (July 2009), Texas Dental Association (May 2012), Texas Bandmasters Association (July 2014 & 2015), San Antonio Breast Cancer Symposium (December 2013, 2014 & 2015), Specialty Tools & Fasteners Distributors Association (November 2011).
- ◆ Visitors to www.sanantoniovisit.com decreased by 1.7% in the third quarter. Last year the major internet advertising occurred during June through mid-August. This year the major push was earlier in the summer from April through June. Also last year the Cowboys training camp was an additional driver of website visitation.

Source: San Antonio Convention & Visitors Bureau

## AVIATION

	Enplanements		Percent Change	Deplanements		Percent Change	Total		Percent Change
	2004	2003		2004	2003		2004	2003	
Third Quarter	881,956	818,303	7.8%	893,728	833,202	7.3%	1,775,684	1,651,505	7.5%
Year-to-Date	2,603,813	2,431,853	7.1%	2,614,491	2,457,423	6.4%	5,218,304	4,889,276	6.7%

Source: City of San Antonio, Aviation Dept.

- ◆ Air passenger traffic is up 7.5% for the quarter and 6.7% year-to-date compared to 2003.

## ECONOMIC ANALYSIS PANEL MEMBERS

### **Travis Tullos, Chair**

Texas Perspectives, Inc.  
830-629-1346

### **Francis Beauchamp**

Kuper Realty Corp.  
822-8602

### **Joe Casiano**

City of San Antonio,  
Aviation Dept.  
207-3463

### **Luci Cockrell**

Cockrell Realtors  
215-4733

### **David Cooksey**

San Antonio Convention &  
Visitors Bureau  
207-6793

### **Lance Freeman**

San Antonio Water System  
704-1896

### **Kim Gatley**

REOC Partners, Ltd.  
524-4000

### **Greg Lackey**

City Public Service  
353-2863

### **Jennifer Meador**

Grubb & Ellis  
804-4835

### **Steve Pease**

City of San Antonio,  
Planning Dept.  
207-7974

### **Jill Vassar**

JHV Consulting  
410-1723

### **Rick Zamarripa**

Alamo WorkSource  
272-3260, ext. 219