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**Local renters likely to feel the bite again**

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San Antonio renters who felt squeezed last year when rents went up an average of \$22 a month should brace themselves for more of the same.

The city's average rent price is expected to increase another \$20 a month, according to a market report released Wednesday by California-based real estate brokerage Marcus & Millichap.

Demand is increasing in San Antonio's apartment market because of growth in population and jobs, despite last year's warnings of overbuilding.

Average rents are expected to increase 3 percent this year to \$680 per month, or about \$20 more than the average rent in 2006. Average rents increased about 3.4 percent last year to \$660 per month.

Landlords this year are expected to offer fewer concessions, such as a month's free rent with a one-year lease, according to the report.

The city's apartment market appeared to be weakening in the second half of 2005, when about 7,000 new units were under construction. Analysts at LoopNet Investment Market Report warned that the market might not absorb that many units, especially in light of San Antonio's single-family market, which was just getting warmed up for its best year on record.

Then, in 2006, about 4,200 new apartment units came onto the San Antonio market, according to the Marcus & Millichap report, continuing those overbuilding fears and spurring complexes to find creative ways to lure tenants.

It wasn't uncommon in 2006 for San Antonio complexes -- especially high-end suburban apartments -- to offer as much as three months free.

This year, only about 3,000 new units are expected to open. The slowdown in construction should help keep a healthy balance of supply and demand, the report says.

San Antonio's projected 6 percent vacancy rate for 2007 is down slightly from 6.2 percent at the end of 2006.

That is the lowest of the state's four largest cities. The projected vacancy rate in Houston, for example, was 10.1 percent last year, up from 8.2 percent in 2005.

Vacancy rates in San Antonio have dropped from 7.6 percent in 2004.

"All the experts said (2006) would be a very tough year for apartments and we surprised everyone," said David Lynd, chief operating officer for San Antonio-based Lynd Co., a real estate company that owns, manages and develops multifamily properties. "And I think we'll do it again this year."

Lynd had expected to get 98 cents per square foot for units at The Ranch at

Shavano Park, a high-end apartment complex that opened near Loop 1604 and Northwest Military in June. But now the company is collecting \$1.12 per square foot.

The Villages at Kitty Hawk, a Lynd-managed, 300-unit apartment complex near Loop 1604 and Interstate 35, opened in August and already is 85 percent occupied.

"That shows the vibrancy of the market right there," Lynd said.

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