



Market Observations

As residents of San Antonio, it is difficult to disregard the astounding pace in which both our city's population and development have grown. Throughout the duration of the 21st century, we have witnessed the dramatic expansion of our city's Westside. Brilliant developments such as Westover Hills and the greatly anticipated Alamo Ranch have made this portion of the city a real estate hot spot, with land values continually increasing. In the northwest area of San Antonio, there too have been increases in land value, especially along the IH 10 West Corridor.

This increase in land value is attributed to several variables: Major retail developments such as the La Cantera Mall and The Rim have increased traffic counts, expansion of utilities to once vacant land, and the corridor's aesthetic beauty. As our city expands, the most primitive economic principle of supply and demand appears to control the market value of land. Although this is true, many less discernable factors additionally contribute to the land values along the IH 10 corridor.

In order to fully understand the increasingly high costs of land along San Antonio's IH 10 West corridor, specifically from the highways' intersection with Loop 1604 along its path though Boerne and beyond into the Texas Hill Country, we must first examine the historical significance of San Antonio's development and its' eternal desire to, "move towards the hills".

In the early 20th century, developers platted a subdivision north of downtown in order to place higher end homes on elevated ground for the purpose of keeping them from the dangerous flood plain and other downtown problems. The vision of the subdivision was to "create a place free of objectionable characters, saloons, poorhouses or any insane asylums". This subdivision was named Beacon Hill as it was claimed to *beckon* upper class citizens from downtown to its perch atop the hills. Other subdivisions created during this time period were Woodlawn, Olmos Park, Terrill Hills and Alamo Heights. Each one of these located, again, on elevated land.

The Beacon Hill subdivision flourished for nearly 40 years, until after WWII, the construction of IH 10 destroyed much of the surrounding commercial and residential development. Subsequently, the commercial and residential communities, which found themselves displaced by the highway construction, followed suit with the rest of the city's new development, leaping beyond San Antonio's city limits, and to this day, has yet to look back.

Today the development along the IH 10 corridor continues to follow the path of the urban sprawl of the 1950's. As mentioned earlier, land prices and people's desire to live along this roadway exist symbiotically. But, it is not only supply and demand which drive land prices along our link to the Hill Country. Newly evolved purchasing techniques, out of state investors, 1031 tax exchanges, and the desire for some plain old peace and quiet have all played a role in our 21st century desire to, "head to the hills", thus driving up land values.

In the past, when an investor wanted to purchase land, he or she would contact a real estate agent and explain the criteria for land they desired to purchase. The agent would search for listings which matched these criteria, report to the client, and they would go from there. In the past five years, a new style of purchasing has evolved, buyer initiated transactions. In these cases, instead of the agent looking for listed land that matches his/her client's criteria, they look for any land matching their client's desired qualifications. Once the land is located, the buyer's representative will approach the land owner, making repeated offers on the land, until the owner ultimately sells the land, traditionally at an inflated price. These forms of bidding transactions are responsible for sizeable increases in market prices along the IH 10 corridor.

Another variable affecting the land prices in our city stem from the ability of out of state investors to easily move into our land market. The land prices in San Antonio are often much less than their out of state comparables, making the land desirable to out of state investors for multiple reasons: since the land is cheaper in price, they view the buying transaction as a bargain. Additionally, it provides them a location for recreation, which is another major factor affecting the prices of the IH 10 West corridor into the Hill Country.

As the IH 10 corridor begins to move from its once agricultural base to a more developed, urban society, buyers interested in the recreational, not agricultural benefits of land, have become prominent buyers in this area. It has been stated that recreation buyers in Texas have increased the median price of an acre of land 10% for the fourth straight year.

Additionally, the population of Texas is projected to increase 16% between 2007 and 2016 and 32 % by 2026. As this occurs, the amount of people above the age of 65 will also increase. This group of consumers will have wealth; either gained or inherited, and will soon wish to retire. Most retirees wish to retire in quiet, beautiful locations, much like the base hills of the Texas Hill Country along the IH 10 corridor. These locations are desirable for there is much less traffic, pollution, crime, and noise than the city...all aspects of city life people like to avoid once retired. All of these factors, combined with San Antonio's historic propensity to head for the hills, tell us that land prices will continue to increase.

- James Sykes, First American Commercial Property Group