

**Market Analysis
Of
Commercial Loft Space
Basila Frocks Market Potential**

Inner Westside, Zarzamora Corridor Study Area
City of San Antonio, TX

On Behalf of
Dan Markson
Westside Development Corporation



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Introduction

Through WDC's core small business programs and revitalization efforts we work toward our mission of economic stability for the Westside. WDC and developer, Dan Markson, partner to revitalize the Westside 20,000-sqft abandoned historic building, Basila Frocks, that was once home to a former garment factory into a community of loft spaces for creative, maker type businesses. Bringing creative minds together under one roof allows for a robust economic hub in a community that is overlooked by economic drivers.

Basila Frocks is modeled off another collaborative business space in San Antonio, Warehouse 5. Warehouse 5 is a recently renovated historic building that houses over 20 creative businesses in the inner Westside of San Antonio, and has demonstrated the demand for small business, creative space on an authentic urban fringe that sparks artistic place making. Warehouse 5 has been extremely successful and currently has a waitlist of businesses seeking rental space; the property owners expect to pay off their lenders for the renovation of Warehouse 5 within the next three to four years.

Basila Frocks is a more powerful form of Warehouse 5, offering a larger business space on a visible, bustling street corner that will soon be frequented by Via's Primo bus lines. Basila is a building that has a rich context and history for the Westside, lending itself to the promotion of more business development nearby. It is also unique in that it resides in a neighborhood where a new entrepreneur, small business owner or employee would be able to live near where they work, reducing need for car travel and expenses and making business ownership and housing affordability more feasible and accessible.

Basila Frocks will improve the quality of life of nearby residents, reducing blight and crime and inviting a sense of place and connection. Currently, the area is pervasive with homelessness, crime and poverty. Improvements and investments in the Westside will show residents the full potential of their community.

Approximately eighteen businesses will call the revitalized building home. To date, five businesses are committed to Basila Frocks:

1. Element Kombucha, a kombucha manufacturer - 6-10 full-time jobs
2. Fusion Corn LLC, a light manufacturer that focuses on creating healthy, superfood tortillas - 3-4 full-time jobs
3. The Social Being LLC, a digital marketing business - 6-7 full-time jobs.
4. Presidio Roofing, a roofing construction company - 8-12 full-time jobs.
5. Bexar Goods, a company that makes hand-made leather goods - 2-3 full time jobs.

WDC will provide businesses with small business technical assistance, mentorship, and access to capital to expand. Westside social service providers, Westside Education and Training Center (WETC) and the Christian Hope Resource Center (CHRC), will assist with recruitment and retention of low-income employees for open job opportunities.

The estimated total redevelopment and construction cost is \$2.3 Million. Project partners will apply for State and Federal Historic Tax Credits, and work with City and County staff on an incentive package for the redevelopment project.

The project revitalizes a community asset that was almost razed to be a Dollar General store. This story of a historic building being targeted as a Dollar Store location provides a lens into the Westside's continued struggles with income, class and race. Dollar Stores tend to be concentrated in areas of high poverty and low education attainment. WDC thrives to not only bring jobs to our lower income residents but also bring a cultural, economic Westside hub that is thriving and robust, providing and leveraging even more diverse living wage job opportunities.

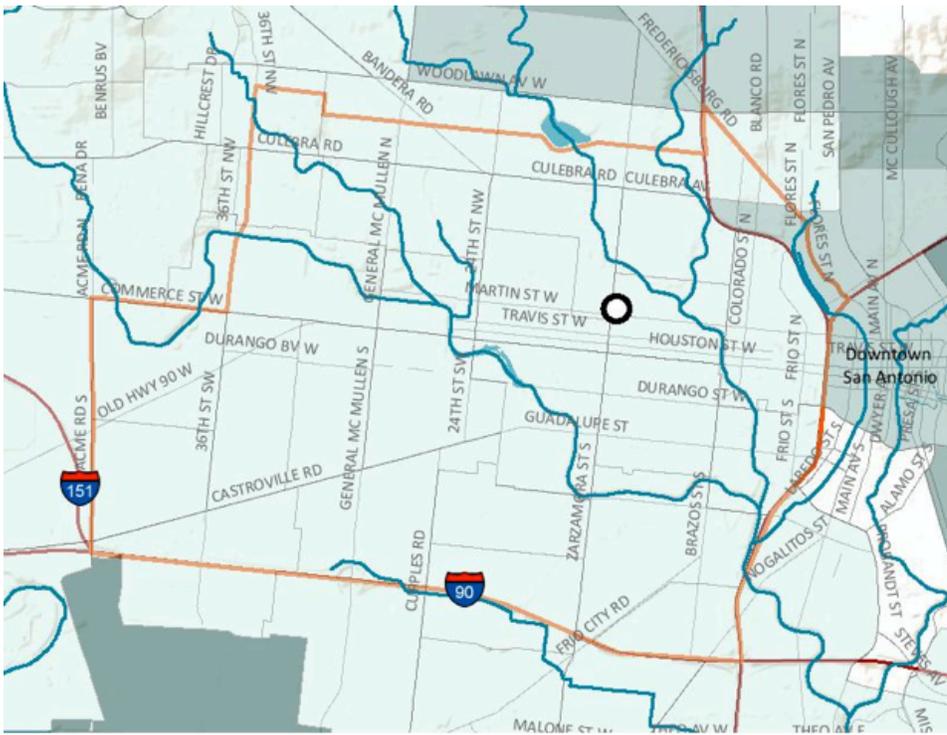
The Zarzamora Corridor Study Area

Demographics

	Study Area	City of San Antonio
	Census Tracts: 1701.01	
	1701.02	
	1704.01	
	1704.02	
Population	16,633	1,413,881
Age		
Under 18	18.25%	26.0%
18 to 24 yo	12.13%	11.3%
25 to 44 yo	24.87%	28.6%
45 to 64 yo	24.88%	23.0%
65 and older	10.48%	11.2%
Poverty		
Below Poverty	32.43%	19.8%
50% of Poverty Level	12.0%	8.09%
125% of Poverty Level	47.8%	25.54%
Hispanic and/or Latino (any race)	95.93%	63.34%
Race		
White	80.66%	78.14%
Black or AA	2.17%	7.02%
American Indian	1.7%	.68%
Asian	0	2.57%
Native Hawaiian or PI	0	.08%
Other Race	12.66%	8.72%
Two or more races	.77%	2.79%
Population 25 years and over with less than high school graduate	80.68%	81.4%
Workers 16 to 64 who worked full-time, year-round in past 12 months	54.12%	42.91%

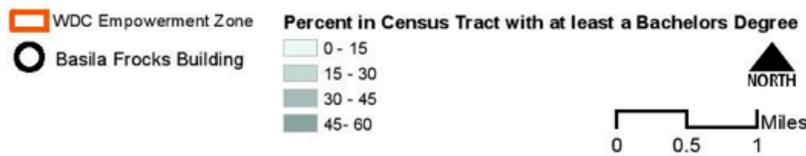
According to US Census ACS, 2015 estimates

The corridor area holds a much higher percentage of Hispanic/Latino population in comparison to the City of San Antonio. Poverty is more prevalent near Basila Frocks in comparison to the city as a whole. Education attainment for the population of 25 years or older with less than a high school diploma is similar to the City of San Antonio.



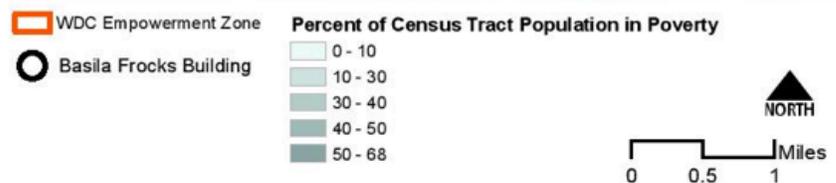
The map highlights the percent of population in census tracts with at least a bachelor degree. The Westside population has lower education attainment for higher education in comparison to other areas of the City of San Antonio.

There could be two generalizations that extend from these findings: 1. there could be improved primary education and outreach to youth to help empower them toward higher education attainment, and 2. at least currently, more jobs on the Westside need to be entry level and accessible to those without higher education attainment.



The map highlights the percent of population in census tracts living below the poverty level. The Westside, including near Basila Frocks, has a higher percentage of people living below the poverty level in comparison to many other areas of the City of San Antonio.

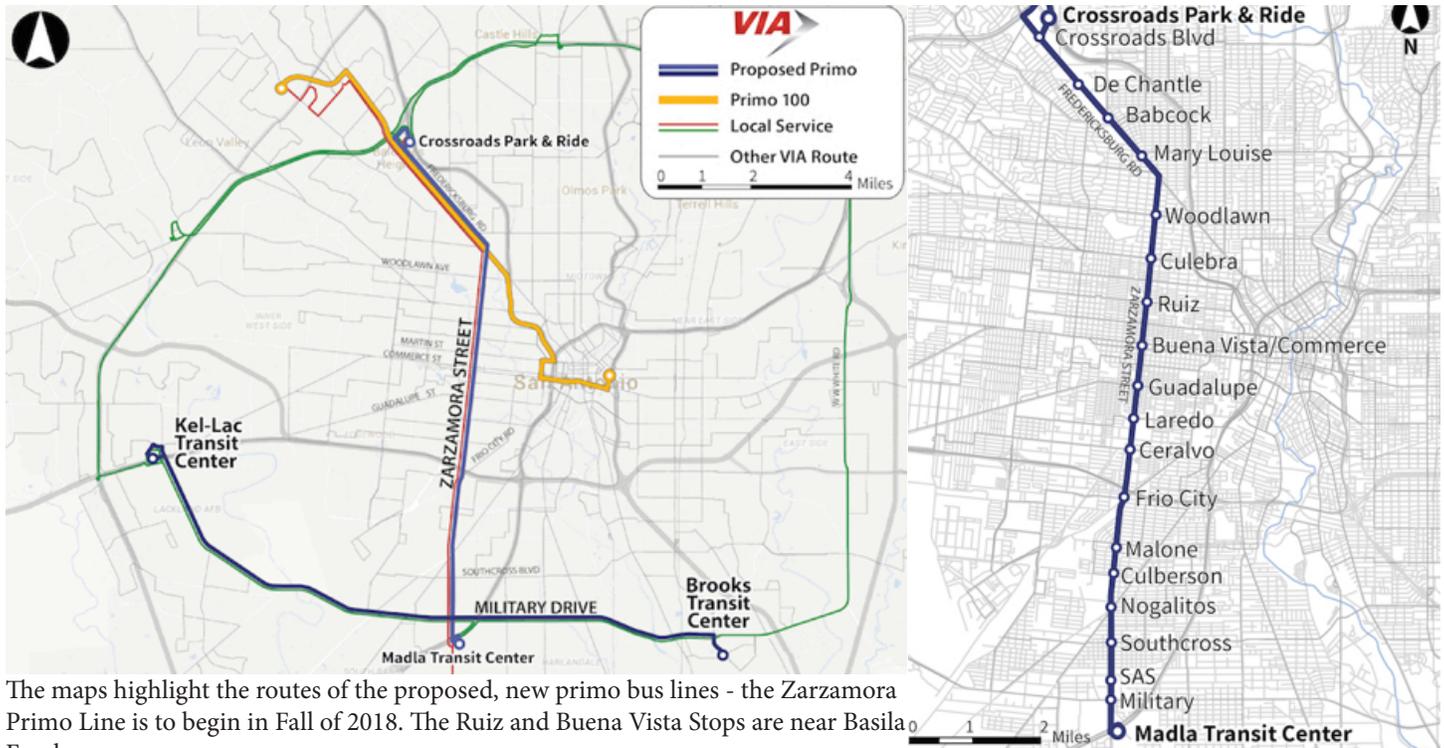
Providing living wage jobs for Westside residents is important, and is one of the goals of the Basila Frocks redevelopment project.



Multi-modal Transportation Options

VIA will implement the Primo bus line, faster, more frequent and more efficient bus lines, along South and North Zarzamora St in the fall of 2018. Each station will have a bus stop about every 10 minutes, and takes people to their destination an average of 15-20 minutes sooner than the regular, local service. There will be 16 stops from Crossroads park and ride to Madla transit center.

The current bus route serving Zarzamora is bus 520, stopping along bus stops every 20-30 minutes, depending on the day and time of day. Nearby buses serving East to West routes off of Zarzamora are buses 68, 70, 75, 76, and 77.



The maps highlight the routes of the proposed, new primo bus lines - the Zarzamora Primo Line is to begin in Fall of 2018. The Ruiz and Buena Vista Stops are near Basila Frocks.

Basila Frocks area:

Walk Score - Somewhat walkable (62)

Transit Score - Good transit (54)

Bike Score - Bikeable (68)

City of San Antonio Street Improvement and Neighborhood Plans

Basila Frocks sits within the West End Hope in Action Neighborhood Association (WEHA) boundary. WEHA is a newly formed Neighborhood Association, founded in July 2017, so they do not have a formal neighborhood plan. Currently in process is the Westside Community Plan, which encompasses the Westside area of Culebra Rd to the North, Hwy 90 to the South, the railroad tracks near I-10 to the East, and 36th St to the West. The community plan is a sub-area plan for the City of San Antonio 'SA Tomorrow' Comprehensive Plan, and is due to be complete in Spring of 2018. The plan will address land use, parks and open space, economic development, housing, mobility and infrastructure, placemaking, and policy priorities.

Under the SA Tomorrow Plan, the historic preservation and cultural heritage section, Goal 4, highlights historic preservation as an economic driver. The plan states that preservation of historic sites generates revenue and creates jobs through revitalization efforts and attraction of more businesses and tourism. Basila Frocks would be a historic preservation economic driver for the Westside, attracting creative type businesses.

Current and Potential Businesses in the Area

Current businesses within a half-mile of Basila Frocks include insurance agencies, driving school, hair salons, auto repair shop, restaurants, motel, gas station, tire shops, corner stores, and Walgreens.

Due to the culture, history, character and affordability of the area, there is potential for the area to attract more creative type business. This has been proven with Warehouse 5, one mile from Basila Frocks, on the corner Buena Vista St and Alazon St. Warehouse 5 is a renovated, historic building that his home to 26 creative type businesses. Warehouse 5 has a waitlist for leases for the building, and can be selective about which businesses they choose for the space.

The Zarzamora corridor holds several historic structures, including a recently purchased 1942 building that houses Lerma's Nite Club, a music hall that had been in operation for 60 years. The buidings are part of a commercial block in the Westside at 1612 N. Zarzamora. Esperanza Peace & Justice Center purchased the set of buildings and has been raising public and private funds to renovate the building into a community space and music hall.

The City of San Antonio continues to support historic preservation in and near downtown, including the Westside, to promote the arts, economic development and redevelopment efforts. This commitment to preservation and redevelopment will likely create a creative, cultural hub on and near the intersection of Basila Frocks.

Furthermore, VIA's commitment to more rapid transit along Zarzamora with the Primo bus line has the potential to leverage more transit-oriented mixed-use development, attracting more businesses to the area.

Neighborhood Characteristics

The Westside embodies culture and tradition of San Antonio's Mexican-American community. The area is rich in history, art, culture and tradition, characterized by locally run shops known as tienditas, Catholic churches, and 1920s shotgun homes. What also distinguishes the Westside from the rest of San Antonio is its mural collection, featuring 53 murals to date, splashed across its shop facades, community centers, and brick walls. The murals serve to illustrate cultural selfhood, celebrating the area's Chicano character. Restoration, preservation, and new construction all play a major role in the West Side's renaissance today.

The neighborhood area of Basila Frocks contains a significant amount of affordable housing and is within one and a half mile of the downtown location. The area is also ammenable to walking, biking or taking transit to work. This creates the ability for business owners and employees of Basila Frocks to live near where they work, which is an ammenity that many seek when looking for commercial rental spaces or employment.



Walgreens on Zarzamora



Lermas Nite Club



Virgin of Guadalupe on Westside

Urban Amenities

The Westside is rich in amenities to serve residents, visitors, businesses and students. Some Westside parks serves as destinations for city residents, including Elmendorf Lake Park and Woodlawn Lake Park. Several higher education institutions reside in the Westside – St. Mary’s University, Our Lady of the Lake University, University of Texas San Antonio, and Alamo Colleges Westside Education and Training Center, drawing students and businesses to the Westside.



Alazon, Apache, and San Pedro Creeks are within a mile to mile and half of Basila. San Antonio River Authority and the City of San Antonio plan to make improvements to the creeks that includes trails, restoration, small parks, vegetation and trees along the creek beds in the Westside. Some trails and improvements have been completed, but more further improvements are slated over the next few years.



Target Market Analysis

Who is the potential market? - Target business for business space leases

US Census data shows that the surrounding census tracts have a significantly less wealthy, lower education attainment and higher proportion younger adult population in comparison to other San Antonio neighborhoods. The Westside also tends to be disconnected from services and jobs, leading many to commute to jobs outside of the Westside. Only 7% of Westside residents work on the Westside, according to a SA Tomorrow presentation on September 2017.

Despite the limitations of the area, the Westside’s most distinct assets are its institutional organizations, parks, cultural destinations, and creative residents and businesses that have a notable presence in the city. These assets help to form a strong foundation for the concept of building on creativity and cultural identity.

There is a countrywide trend toward non-traditional office spaces, which has been driven by the millennial workforce. This is a generation that is less likely to sit at a cubicle all day, and they are seeking new environments that spark creativity. This same creative workforce doesn’t want to sit in a car all day to commute; they want to live close to where they work.

The market for Basila Frocks is a local “creative class” of entrepreneurs and small businesses, connecting the creative and cultural histories of the Westside to economic development. Creative commercial spaces are highly limited in the Westside, and all of San Antonio. The building will serve as a hub, enticing Westside businesses and businesses from other areas, and attracting artists, designers, entrepreneurs, makers, technical innovators, visual artists, crafts people, manufacturers and any small businesses that harness their creative capacity to innovate and create. This place-based strategy will prove to cultivate further commercial and/or housing development nearby to create a neighborhood node for culture, art and economic diversity.

The building will also attract business owners and employees who want to live close to work and ditch their car. The area has a good amount of affordable housing and is walkable, bikeable and accessible by transit.

The businesses that are attracted to creative commercial spaces, such as Basila Frocks, tend to be smaller businesses with two to ten employees and wages that vary greatly, depending on the type of business. The

Westside Development Corporation (WDC) works with dozens of small businesses on the Westside through its Grow West Programs, providing technical assistance, business grants, lending, trainings, and mentorship. This holistic approach to assisting small businesses will be applied to businesses and entrepreneurs that will call Basila home, leading to more success and an increase in job creation in the Westside.

San Antonio Economic Summary

San Antonio's low business costs and fast-growing population have historically led to above-average, though low value-add, hiring. A few notable firms in each job sector call San Antonio home, including the recently announced Hulu, which is adding at least 500 new jobs for a viewer experience headquarters. But it is not a leading market like Austin or Dallas, two leading drivers of job expansion.

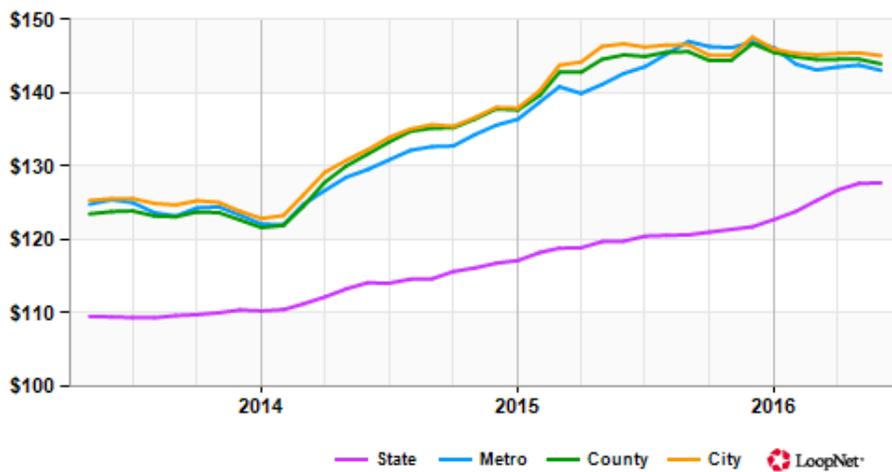
Low business costs, a large bilingual population, and an advanced telecom infrastructure make San Antonio an ideal location for call centers. Business costs are among the lowest in the country, at 19% below the national average, comparable to markets like Nashville, Memphis, and Oklahoma City. San Antonio is multicultural, with over one-third of its population fluent in Spanish, according to the U.S. Census. Of markets in the National Index, only Miami and Los Angeles have a higher share of Spanish speakers.

Primarily due to AT&T's presence, the metro is blessed with a strong telecom infrastructure—particularly in the north and west sides of town, although the company, in need of more direct flights, moved to Dallas in 2008. The attraction to the existing infrastructure is still there with Xerox recently adding 400 call center jobs to San Antonio. Creative spaces, like Basila, are attractive and in demand for many technology firms, small and large.

Office Property Asking Price Index - Sale Trends

[Embed](#)

Asking Prices Office for Sale San Antonio, TX (\$/SF)



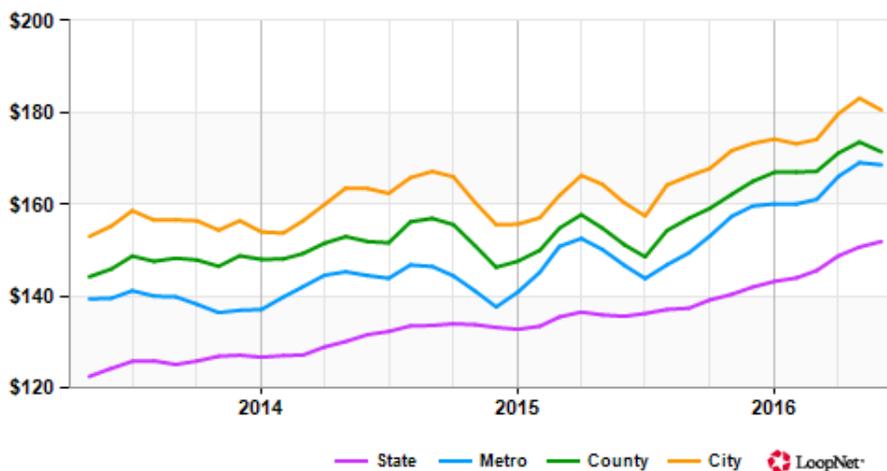
	Jun 16	vs. 3 mo. prior	Y-O-Y
State	\$127.73	+1.9%	+6.6%
Metro	\$143.06	0.0%	+0.3%
County	\$143.95	-0.4%	-0.8%
City	\$145.07	-0.1%	-1.1%

Current San Antonio market trends data indicates a decrease of -0.1% in the median asking price per sq ft for Office properties compared to the prior 3 months, with a decrease of -1.1% compared to last year's prices. County-wide, asking prices for Office properties are -0.4% lower at \$144 per sq ft compared to the current median price of \$145 per sq ft for Office properties in San Antonio, TX.

Retail Property Asking Price Index - Sale Trends

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Asking Prices Retail for Sale San Antonio, TX (\$/SF)



	Jun 16	vs. 3 mo. prior	Y-O-Y
State	\$151.85	+4.3%	+12.0%
Metro	\$168.55	+4.7%	+14.9%
County	\$171.39	+2.6%	+13.4%
City	\$180.48	+3.7%	+12.6%

Current San Antonio market trends data indicates an increase of +3.7% in the median asking price per sq ft for Retail Commercial properties compared to the prior 3 months, with an increase of +12.6% compared to last year's prices. County-wide, asking prices for Retail Commercial properties are 2.6% higher at \$171 per sq ft compared to the current median price of \$180 per sq ft for Retail Commercial properties in San Antonio, TX.

Inner Westside Market-Rate Rent - What is the market currently able to pay?

In the WDC service area, the following spaces are currently for rent, as of September 26, 2017:

140 Fredericksburg Rd (for rent on Sept 26, 2017). 350sq.ft.

\$400+electric. \$1.15/square foot.

Marketed as a creative space.

10-foot ceilings, concrete building, near downtown, shared restroom, loading dock.



140 Fredericksburg Rd.

1203 Buena Vista St. (for rent on Sept 26, 2017). 500 sqft.

\$695/mo + electric. \$1.39/sq.ft.

2 small offices plus waiting room. Shared bathroom. Not a creative type space.



1203 Buena Vista St.

1818 S. Zarzamora. (for rent on Sept 26, 2017). 700sq.ft.

\$700/mo. \$1/square foot.

No AC. This is not a creative type space.

Is marketed for an office space or hair or nail salon.



1818 S. Zarzamora

The Current Context

Summary of Selected Commercial Rental Properties

816 Camaron St - Finesilver Building

San Antonio, TX 78212 - North Central Submarket

BUILDING

Type: Office
 Tenancy: Multiple
 Year Built: 1895; Renov 2016
 RBA: 114,132 SF
 Floors: 3
 Typical Floor: 38,044 SF

AVAILABILITY

Min Divisible: 980 SF
 Max Contig: 7,548 SF
 Total Available: 31,445 SF
 Asking Rent: \$20.00/FS

EXPENSES PER SF

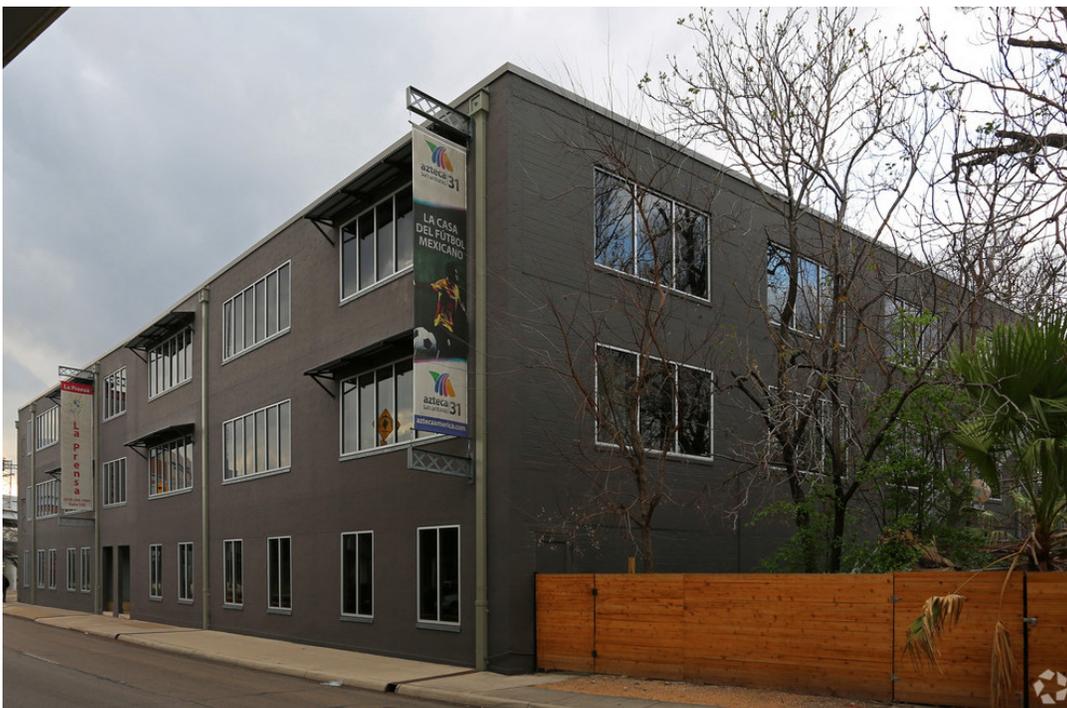
Taxes: \$0.99 (2016)

SPACES

Floor	Use	Type	SF Avail	Flr Contig	Bldg Contig	Rent	Term
P 1st	Office	Relet	7,452	7,452	7,452	\$20.00/FS	1 - 5 Yrs
P 1st	Office	Relet	1,902	1,902	1,902	\$20.00/FS	1 - 5 Yrs
P 1st	Office	Relet	7,548	7,548	7,548	\$20.00/FS	1 - 5 Yrs
P 1st	Office	Relet	980	980	980	\$20.00/FS	1 - 5 Yrs
P 1st	Office	Relet	6,167	6,167	6,167	20.00/FS	1 - 5 Yrs
P 2nd	Office	Relet	2,041	2,041	2,041	\$20.00/FS	1 - 5 Yrs
P 2nd	Office	Relet	1,072	1,072	1,072	\$20.00/FS	1 - 5 Yrs

TRANSPORTATION

Parking: 285 free Surface Spaces are available; Ratio of 2.33/1,000 SF
 Airport: 11 minute drive to San Antonio International Airport
 Walk Score ®: Very Walkable (85)
 Transit Score ®: Excellent Transit (88)



KEY TENANTS

- Knowesis 4,880 SF
- AARP Work Search Foundation 4,473 SF
- Piwonka Sturrock Architects 3,253 SF
- Omnium 2,500 SF
- DLF 2,033 SF La Prensa 2,033 SF

1711 S Laredo St

San Antonio, TX 78207 - Northwest Submarket

BUILDING

Type: Class C Flex

Tenancy: Multiple

Year Built: 1955

RBA: 8,689 SF

Floors: 2

Typical Floor: 7,767 SF

Ceiling Ht: 14'-14'1"

AVAILABILITY

Min Divisible: 94 SF

Max Contig: 900 SF

Total Available: 1,349 SF

Asking Rent: \$\$12.00 - \$38.29/FS

EXPENSES PER SF

Taxes: \$1.42 (2016)

FEATURES

Bus Line, Fenced Lot, Security System

LAND

Land Area: 1.41 AC

Zoning: C-3 NA

SPACES

Floor	Use	Type	SF Avail	Flr Contig	Bldg Contig	Rent	Term
P 1st	Industrial	Relet	900	900	900	\$12.00/FS	5 - 10 Yrs
P 1st	Office	Relet	175	175	175	\$36.00/FS	Negotiable
P 1st	Office	Relet	180	180	180 \$	36.66/FS	Negotiable
P 1st	Office	Relet	94	94	94	\$38.29/FS	Negotiable

TRANSPORTATION

Parking: 50 free Surface Spaces are available; Ratio of 7.78/1,000 SF

Airport: 12 minute drive to San Antonio International Airport

Walk Score ®: Somewhat Walkable (51)

Transit Score ®: Good Transit (52)



1711 S Laredo St.

Warehouse 5

1333 Buena Vista St

San Antonio, TX 78207 - Westside Submarket

BUILDING

Type: Office/flex

Tenancy: Multiple

Year Built 1927; Renov 2014

RBA: 15,040

Floors: 2

Typical floor: 7,520

Availability:

Min Divisible: 0

Max Contig: 0

Total Available: 0

Asking Rent: \$16,00/FS

Expenses per SF

Taxes: \$1.01 (2017)

Transportation:

Parking: 12 secured spaces, free street parking

Airport: 15 minutes

Walkscore: 73

Transit score: 68

Key Tenants:

Presidio roofing: 1,250 sq.ft.

Shotgun House Coffee Roasters 1,141 sq.ft.

Studio Autoforma 1,141 sq.ft.

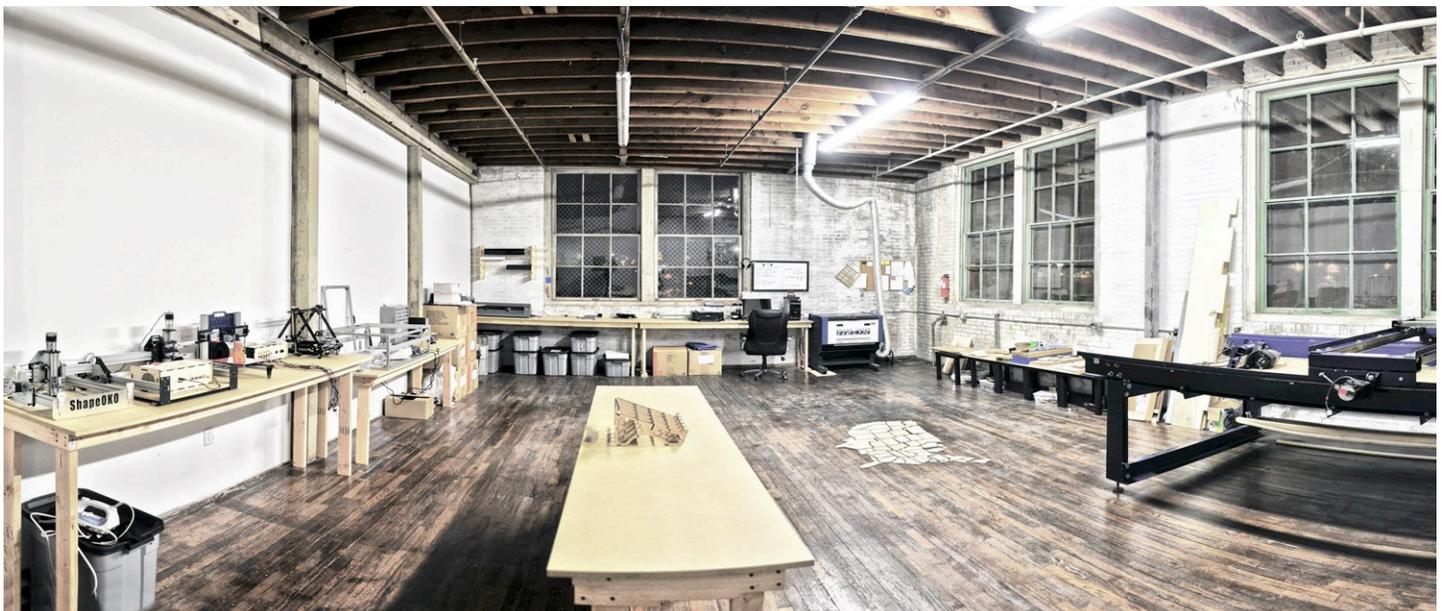
LCTV 815 sq.ft.

Terminal Solutions 705 sq.ft.

Bexar Goods 559 sq.ft.

Features:

Bus line, fenced lot, security system, buzz in front door access system



Renovated Commercial Rental Properties Within Two to Two-half Miles of Basila Frocks

Property Name / Address	Yr Blt/Renov	Bldg SF	Stories	SF	Avail %	Vac%	Gross Direct Rent
Finesilver Building 816 Camaron St	1895/2016	114,132	3	31,717	27.8%	13.7%	\$19.90
One Ten Broadway 110 Broadway St"	1902/-	101,683"	6	24,934	24.5%	11.8%	\$16.94
The Commerce Bldg 314 E Commerce St"	1902/-	39,831	8	12,554	31.5%	27.1%	\$15.82



One Ten Broadway



The Commerce Building



Finesilver Building

Additional Considerations

Policies and Programs

City Incentive Programs

The Center City Development Office (CCDO), which WDC falls under, utilizes a variety of incentive programs to promote growth and development in targeted areas, specifically in underserved residential and commercial markets. The incentives include property tax rebates, city and water impact fee waivers, and environmental assessment grant funds with the brownfield program. Basila Frocks will have an incentive package from the City of San Antonio for redevelopment.

City Infrastructure Investments

The San Antonio 2017-2022 Bond invests \$10,000,000 in the Westside Gateway project for improvements on West Commerce Street from Frio Street to Colorado Street. \$10,000,000 Improvements to Commerce corridor include reconfiguring lanes on the bridge, wider sidewalks, bike facilities and other improvements as appropriate within available funding. The gateway project connects people from the East and Downtown of San Antonio to the Westside commercial areas of Commerce and Zarzamora. This will have a positive impact on the Basila Frocks redevelopment.

Additionally, with the new Primo bus service on Zarzamora in the fall of 2018, VIA plans to upgrade existing bus shelters along the corridor, and plans to place a VIA transit station at Zarzamora and Buena Vista, a few blocks south of Basila Frocks.

Tax Credit Incentives

The Texas Historic Preservation Tax Credit Program was established through Texas House Bill 500 during the 83rd Texas Legislative Session and it went into effect on January 1, 2015. The new state historic tax credit is worth 25 percent of eligible rehabilitation costs and is available for buildings listed in the National Register of Historic Places, as well as Recorded Texas Historic Landmarks and Texas State Antiquities Landmarks.

The Federal Historic Preservation Tax Incentive Program also offers a 20 percent tax credit for the rehabilitation of historic buildings. Established in 1976, the federal historic tax credit program is also a significant financial incentive for the reuse of historic buildings and revitalization of historic downtowns.

Basila Frocks qualifies for both state and federal historic tax credits. The cost effectiveness of the redevelopment with and without tax credits is being evaluated.

Financing

Basila Frocks redevelopment is exploring lending opportunities with local banking partners and CDFIs.

WDC Grow West Small Business Program

The WDC serves small businesses on the Westside through microlending, grants, technical assistance, trainings, and mentorship. These programs will be applied to Basila Frocks to help accelerate businesses in the commercial rental spaces.

Limitations of Market Analysis

The most difficult issue with market analysis of Basila Frocks is the lack of comparable commercial properties in the area. This is a unique building and unique development for the Westside of San Antonio. This unique flare is also what will make the building and commercial spaces for rent appealing and attractive to small businesses.