



Apartment Complex Study

Greater San Marcos Economic Development
Corporation

The purpose of this study is to provide information on
the multi-family market in the City of San Marcos.

June 2010

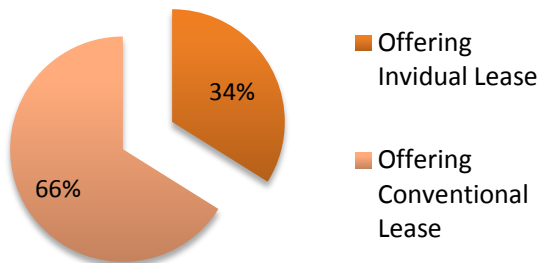
Introduction

This study was undertaken by the Greater San Marcos Economic Development Corporation to provide an overview of existing and planned multi-family housing in San Marcos, Texas. Only apartment complexes in the City of San Marcos that have more than 30 units were included in the study. Qualitative and quantitative data was collected to give insight into lease options, unit distribution, amenities, average lease prices, Texas State dormitories, occupancy rates, and future multi-family projects. Pricing information may vary throughout the year, but all information is deemed accurate as of July 2010.

# of Complexes over 30 Units	60
Median Year Built	1996
Total Number of Apartments	9,095
Total Number of Rooms	18,574

Individual leases are preferred, when college students are the primary target market, because they offer decreased liability for both principle lease holders and cosigners (Figure 1). As expected, the overwhelming majority of Texas State students prefer the individual lease option.

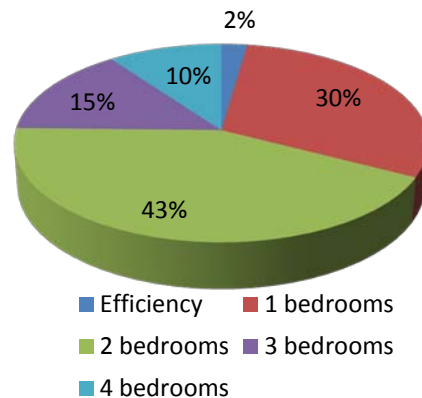
**Figure 1
Lease Options**



Most individual lease properties require tenants to sign 12-month agreements, beginning in mid-August and terminating July 31. In addition, they offer roommate matching services in which a prospective tenant fills out a personal information form and is matched with an individual that meets their criteria. Roommate matching is important to assist students who do not have predetermined roommates. Properties that offer conventional lease methods (all tenants under

one lease) are most commonly leased by non-students. These typically have lower turnover rates than individual lease properties.

**Figure 2
Unit Distribution**



Much like the real estate market itself, the need for specific unit types is influenced by the economy. With the recent economic downturn, San Marcos experienced increased demand for four bedroom units that offer individual leasing, the cheapest alternative to university housing.

Depending on the intended target market, amenities can vary widely between complexes. Table 2 offers an amenity and utility breakdown of all sixty complexes included in the study. Student oriented complexes tend to offer far more amenities than conventional properties. For example, fitness and business centers are considered standard amenities among apartments that market exclusively to students.

As seen in Table 3, apartments in San Marcos can be broken down into three main types:

furnished individual lease, unfurnished individual lease, and unfurnished conventional lease. In San Marcos, the rental market is driven by college students. High turnover rates are characteristic of individual lease properties because students tend to move multiple times while attending the university. To help fill vacancies, many complex owners resort to apartment locating services. As a result, San Marcos has a well established apartment locating industry in the city.

Table 2
Apartment Amenities

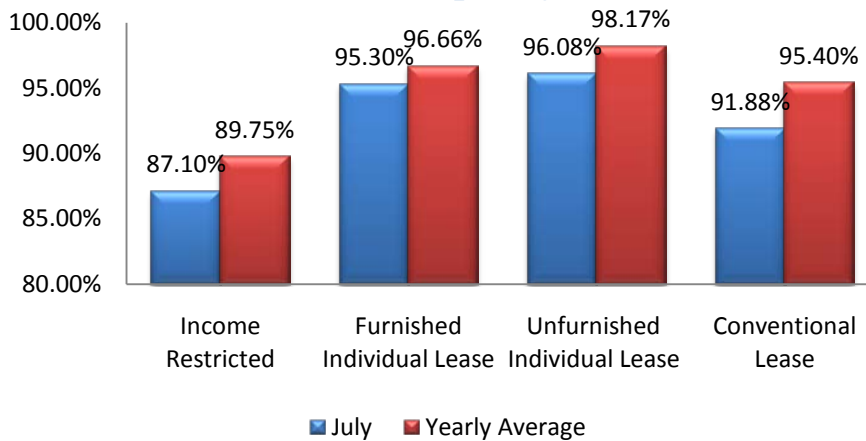
Internet Paid	Cable Paid	Water Paid	Trash Paid	Electric Paid
40%	45%	36%	83%	5%
Fitness Center	Business Center	Game Room	Basketball	Volleyball
60%	36%	40%	48%	50%
Pool	Hot Tub	Security Gates	Microwave	Dishwasher
91%	41%	38%	60%	90%
Section 8	Ice Maker	Walk In Closets	Fire Place	Private Balcony/Patio
14%	62%	59%	12%	69%
Vaulted Ceilings	Outside Storage	Furnished	Washer/Dryer	
17%	60%	20%	Included	57%
			Onsite	29%
			Connections	14%

Table 3
Average Apartment Prices

	Efficiency	1 BR	2 BR	3 BR	4 BR
Furnished Individual Lease Price (per room)	\$857	\$837	\$577	\$531	\$471
Furnished Individual Lease SQFT	414	592	837	1126	1338
Unfurnished Individual Lease Price (per room)	\$620	\$734	\$483	\$440	\$410
Unfurnished Individual Lease SQFT	446	597	933	1376	1326
Unfurnished Conventional Lease Price	\$434	\$665	\$747	\$1,034	\$1,173
Unfurnished Conventional SQFT	566	733	909	1154	2033

Occupancy rates give insight into the demand for apartment complexes in the area. Although occupancy rates tend to decrease during the summer months, average year-around rates consistently stay above the 90th percentile. Figure 3 shows the actual occupancy rates as of July 2010 as well as yearly occupancy rates.

Figure 3
Occupancy Rates



*All yearly averages were based off estimates given by the leasing manager of each property.

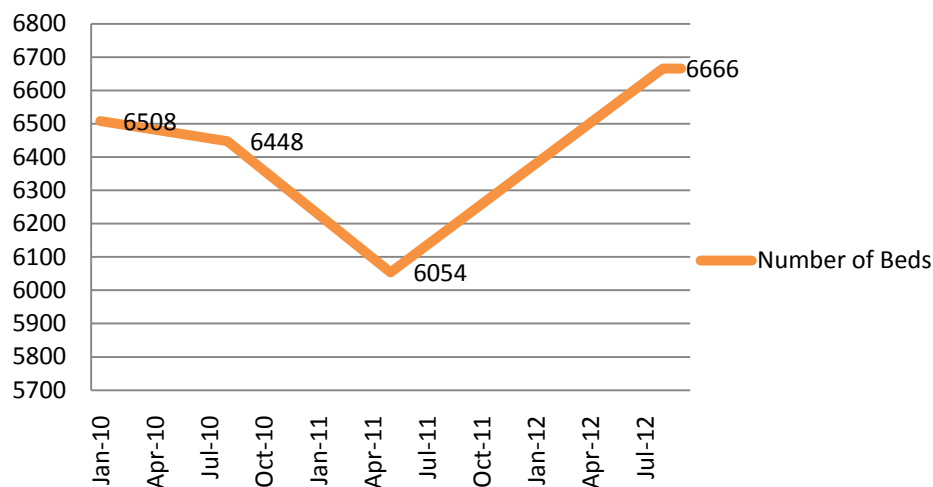
Table 4 shows the future multi-family projects planned for San Marcos. Many of these apartment complexes are in the preliminary or entitlement stage, and completion dates could not be obtained. A majority of the units under construction or permitted are scheduled for completion in 2012.

Table 4 Future Projects	# of Units	# of Beds	Preliminary	Entitlement Process	Permitting	Construction
Encino Pointe	252	512			X	X
Blanco River Apartments	186	348			X	
Courts at River Bend	240	752		X		
Purgatory Creek PDD	286	385		X		
Vistas at San Marcos	257	532		X		
Brackenridge	286	385		X		
Mills Street Plaza	N/A	N/A	X			
Concho Commons PDD	39	75		X		
Copper Beach	415	1238			X	X
Chestnut Street Lofts	N/A	N/A	X			
Sessoms and Comanche	N/A	N/A	X			
Logan Ridge Apartments	42	108			X	X
Buie Tract	N/A	N/A	X			

Texas State Campus Housing

Current plans call for the demolition of Falls Hall (capacity 394) in May 2011, to make way for the new Music Recital Hall. There are tentative plans for the demolition of other residence halls, but no firm plans have been made at this time. In addition, Texas State plans to demolish part of the Comanche Hills apartment complex in Fall 2010. A total of 60 beds will be taken out to make room for a new maintenance warehouse and Department of Housing building.

Figure 4
Projected Dormitory Capacity



Originally, students with fewer than 60 credit hours were required to live in either a residence hall or university apartment. Due to increased enrollment, the requirement to live on campus has been lowered to 30 credit hours for freshman effective Fall 2010. Sophomores may participate in a lottery for any remaining spaces.

The Texas State campus master plan is currently being updated. The university does not anticipate adding a significant number of beds to what is currently planned, but until the study is complete, there will not be an accurate number to share.

Conclusions

San Marcos offers unique development opportunities for both domestic and international investors. Located between the Austin and San Antonio metropolitan areas, it is home to Texas State University, the fifth largest university in the state with a projected annual growth rate of 3 to 5 percent. Texas State University enrolled 31,560 students in Spring 2010, and recorded the largest freshman class in history, putting additional strain on an already past-capacity campus housing situation.

With the anticipated growth, demand for multi-family units should remain strong through 2012, when several projects are anticipated to come on line. The marketplace should be fully explored before any investment is made. The information in this study is offered only as a guide and should not replace any other sources normally used to make investment decisions. The data provided is deemed accurate, but not warranted by the Greater San Marcos Economic Development Corporation.