

Final Report

New Braunfels Real Estate Feasibility Analysis

The Economics of Land Use



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New Braunfels Economic Development Corporation (EDC)

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1. Introduction

Overview

The "Gruene 16" property is a 15.67-acre City owned parcel of land located to the north and to the east of Common Street and Gruene Road in New Braunfels. The site represents an opportunity for the community to advance its economic development goals as well as to create a place that is recognized for its unique character and overall contribution to the City. This report presents a vision for the site that is based on a detailed analysis of the demographic and economic framework of New Braunfels and a comprehensive review of market trends for the area that have been calibrated by local broker interviews. The material has been used to generate three development themes for consideration by the New Braunfels Economic Development Corporation (EDC) and the City Council. A full analysis of each is provided in the report, based on the overarching themes of:

- Visitation
- Creativity, and
- Local Focus

The primary objective is to provide a platform from which the EDC and Council can define development program options and financial parameters to be included in a subsequent developer solicitation, with the goal of forming a potential public-private partnership with the New Braunfels EDC and a prospective development team. The report aims to inform strategic decision-making by balancing market-driven insights with innovative considerations for the site.

It is important to note that the current zoning was not a decisive factor in determining the recommendations for prospective land uses included in this report. The analysis took a broader view of potential uses. Therefore, implementing the suggested land uses outlined in the report might require the City to consider rezoning certain sections of the property.

About EPS

Economic & Planning Systems, Inc. (EPS) is a land economics consulting firm experienced in the full spectrum of services related to real estate development, the financing of public infrastructure and government services, land use and conservation planning, and government organization.

Areas of Expertise

- Real Estate Economics
- Public Finance

- Land Use and Transportation
- Economic Development and Revitalization
- Fiscal and Economic Impact Analysis
- Housing Policy
- Public-Private Partnership (P3)
- Parks and Open Space Economics

Clients Served

Since 1983 EPS has provided consulting services to hundreds of public- and private-sector clients in Colorado and throughout the United States. Clients include cities, counties, special districts, multi-jurisdictional authorities, property owners, developers, financial institutions, and land use attorneys.

Report Chapters

The findings of the analysis are presented in five sections as follows:

- **Council and EDC Goals** – This section summarizes the overarching goals and objectives articulated by City Council and EDC members in a series of individual interviews as well as board meetings facilitated by EPS.
- **Economic and Demographic Trends** – This section describes the employment and demographic trends related to New Braunfels and its surrounding communities, which includes San Antonio, San Marcos, and Austin.
- **Market Conditions** – This section provides an overview of the market conditions for various key asset classes in New Braunfels, encompassing office, retail, industrial, hospitality, multifamily, and single-family properties.
- **Broker Insights** – This section provides a summary of key insights from local and regional real estate professionals active in the New Braunfels real estate market.
- **Opportunistic Land Uses** – This section provides an overview of specific land uses, expanding beyond the conventional commercial asset classes. Through conversations with real estate experts at local and regional levels, three distinct land utilization types emerged as promising opportunities warranting deeper exploration.
- **Development Themes and Concepts** – This section synthesizes the analysis into three prospective development scenarios for consideration on the Gruene 16 property. Furthermore, it includes a concise examination concerning the Common Street and Gruene Road lot. The three potential development scenarios were evaluated using a weighted decision-making matrix and scored based on their alignment with selected criteria.

Executive Summary

This section is intended to provide an overview of the key findings, insights, and recommendations detailed within the report.

1. *The key themes outlined by the City Council and EDC members were mixed.*

While the key themes outlined by council and EDC members varied, most members believed that future development on the "Gruene 16" site should be creative, innovative, and unique.

2. *New Braunfels is growing at a faster rate than peer communities located along the I-35 corridor.*

From 2010 to 2023, New Braunfels had an average annual population growth rate of 4.2 percent, equating to approximately 3,201 new residents each year. During the same period, the population in San Marcos, Austin, and San Antonio grew at rates of 3.5, 1.7, and 0.7 percent, respectively.

3. *The commercial real estate markets in New Braunfels are strong.*

From 2010 to 2023, total inventory in every commercial real estate market in the city grew. The multifamily residential market grew at the fastest rate, with total inventory increasing by an average of 8.0 percent per year.

4. *The City should not consider acquiring the property located at the intersection of Common Street and Gruene Road unless the asking price is reduced to align with prevailing market standards.*

Based on conversations with local and regional brokers and developers, the City could consider purchasing the property at a price of \$15 to \$16 per square foot, which represents market rate in New Braunfels, with a maximum consideration of \$20 per square foot.

5. *The analysis identifies three potential development scenarios, each tailored to fulfill specific thematic objectives.*

The potential development scenarios are comprised of themes related to visitation, creativity, and local focus. The visitation scenario is envisioned as a mixed-use development with a primary product mix that includes a convention center/meeting space and a boutique and/or limited-service hotel. The creativity scenario is envisioned to include a film studio and boutique hotel. The local focus development scenario is envisioned as a mixed-use development, with one or two two-story medical office buildings.

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2. Council and EDC Goals

This section summarizes the overarching goals and objectives articulated by City Council and EDC members in a series of individual workshops conducted by EPS.

Goals and Objectives

The key themes outlined by the City Council and EDC members serve to streamline the project's focus towards a set of objectives that resonate within the community. It's important to highlight that the analysis will incorporate these themes in the analysis and evaluation of options.

1. Future development should be creative, innovative, and unique.

Given the constraints associated with limited land availability in the region, large scale development opportunities will be limited in the future. As this reality sets in, it's important to approach future development endeavors with a heightened sense of creativity, innovation, and uniqueness.

2. There is an appetite for moderate- to high-yield utilization of the parcel with a mix of uses.

The desire to achieve moderate to high development uses stems from a recognition of the need to optimize the use of available land. By integrating residential, commercial, and recreational spaces within the same area, mixed-use developments can represent an opportunity to achieve greater efficiency on the site, potentially maximizing the City's return on investment (ROI).

3. Future development needs to complement existing land use patterns in the area.

The property abuts single family residential housing to the north, multifamily residential property to the east, and commercial property to the south. Future development on the site must align with and complement these existing land use patterns, while still achieving the goals related to maximizing opportunity.

4. The primary emphasis for employment opportunities on the site should prioritize primary jobs.

Any future use of the site should attract high quality jobs that will expand the local economy. An often-cited example included Class A office space, although various council and EDC members spoke about a range of other employment examples that increase primary economic activity.

5. For any public incentives to be considered, future development must be linked to achieving the City's existing economic development objectives.

The Economic Development Strategic Plan, completed in 2022, identifies six strategic priorities to provide focus related to economic development efforts in New Braunfels:

- Attract quality jobs in target industries
- Create competitive office and industrial spaces
- Support the success of startups
- Align and optimize workforce assets
- Improve mobility and transportation options
- Execute proactive land use and development strategies

Future development on the Gruene 16 site should meet most of these goals to be considered for any future public investment opportunities.

6. Any future development on the site should be thoughtfully designed to accommodate comfortable pedestrian and biking mobility options.

By designing infrastructure that promotes walking and cycling, the site will include valuable community assets that enhance the quality of life of New Braunfels residents. Future pathways not only offer safe and enjoyable routes for transportation but also contribute to the overall attractiveness of the community, making it more appealing to residents, visitors, and potential investors.

7. Workforce housing is needed to accommodate existing employees that commute in from outside communities.

Addressing the need for workforce housing is important when considering the largest industries in the community—Retail Trade, Accommodation and Food Services, and Health Care and Social Assistance—typically draw from surrounding, lower cost communities to recruit employees. These industries represent a substantial portion of the local economy and provide essential services and employment opportunities for the region.

8. The site should contain community amenities such as a park, civic plaza, and/or trail connections.

There is a desire to create a recognizable civic amenity that helps any future development stand out in the eyes of the community. In addition to an element that facilitates community interaction, there is also interest in parks and walking trails that would contribute to the overall attractiveness and desirability of any future development on the site, enhancing property values and attracting potential residents and businesses. This, in turn, can stimulate economic development and job creation, benefiting not only the local workforce but also the broader community.

9. Accommodate a range of uses, both commercial and residential, within the site.

Most council members described a vision that included a mix of uses. In addition to a mix of uses, several members of council believe the site represents a rare opportunity to incorporate a mix of housing, with affordable for-sale options, such as townhomes or condominiums. The mix of housing types can be helpful in communities with a need for housing costs to align with local wages. These types of housing developments offer an opportunity for workforce members to live closer to their workplace, reducing commute times and expenses. Additionally, they contribute to the overall diversity and inclusivity of the community.

10. A medical corridor is naturally emerging along Common Street.

By fostering the growth and development of a naturally emerging employment cluster related to Health Care and Social Assistance, the City could potentially attract a larger pool of private investment and primary employment. Facilitating the growth of this economic cluster could contribute to the diversification of the economy, reducing dependence on a single industry and enhancing resilience to economic shocks. This could also generate positive externalities that would enhance the overall quality of life for residents.

11. It was noted that the proximity to the Gruene Historic District warrants consideration of a hotel on site.

The Gruene Historic District, home to Texas' oldest dance hall, Gruene Hall, stands as a cherished tourist destination, attracting visitors from around the country. Renowned as a quintessential Texan gem, it is among the state's most sought-after attractions. A hotel adjacent to the district would provide another convenient accommodation option for an existing visitor population, which could potentially lead to extended stays, thus increasing tourism revenue.

These broadly stated objectives for the site have been used to frame the analysis of options. As provided in latter sections of this report, a set of criteria with greater specificity has been defined by the consultant team, which is used to assess the overall benefit of three potential development scenarios. The criteria generated later align with the concepts listed above. The importance of beginning the analysis with a summary of local vision is to ensure that the long-term future of the site is based on the vision of local leadership.

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3. Economic and Demographic Trends

The purpose of this section is to document the economic and demographic trends for New Braunfels and nearby San Marcos, Austin, and San Antonio. In addition to demographic trends (population and households), the section addresses housing and economic growth, with a specific focus on employment composition and commuting patterns.

Population and Households

In 2023, New Braunfels had a population of 100,749 residents, as shown in **Table 1**. From 2010 to 2023, the city had an average annual growth rate of 4.2 percent, equating to approximately 3,201 new residents each year. The strong growth was also noted in broker interviews (provided later in this report), with some brokers noting that this section of the I-35 corridor is one of the strongest growth corridors in the nation. During the same period, San Marcos population increased at a similar rate with an average annual growth rate of 3.5 percent. Austin and San Antonio, which are larger, more established communities, saw lower but steady growth over the period, with average annual growth rates of 1.7 percent and 0.7 percent, respectively.

Household trends followed a similar pattern to that of the population between 2010 to 2023. New Braunfels had an average annual household growth rate of 4.5 percent, an increase of 1,276 new households each year. San Marcos had a slightly lower annual growth rate of 3.9 percent, or 896 households annually. Austin household growth increased by 2.1 percent annually and added 8,092 households each year. San Antonio had the lowest growth rate of 1.1 percent annually, equating to 5,412 households annually.

Table 1. Population and Households, 2000-2023

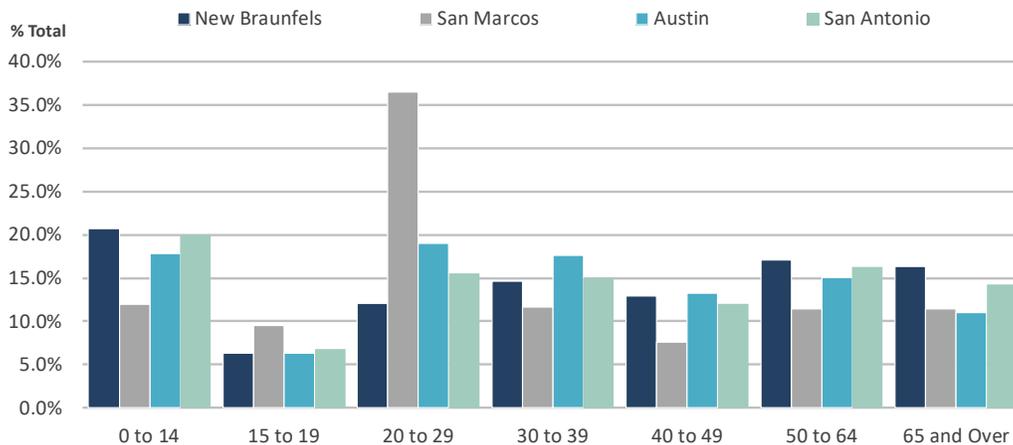
Description	2000	2010	2023	2000-2010			2010-2023		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
Population									
New Braunfels	41,037	59,139	100,749	18,102	1,810	3.7%	41,610	3,201	4.2%
San Marcos	39,044	47,925	74,591	8,881	888	2.1%	26,666	2,051	3.5%
Austin	687,267	805,567	1,007,847	118,300	11,830	1.6%	202,280	15,560	1.7%
San Antonio	1,151,789	1,326,441	1,444,120	174,652	17,465	1.4%	117,679	9,052	0.7%
Households									
New Braunfels	15,049	21,753	38,337	6,704	670	3.8%	16,584	1,276	4.5%
San Marcos	13,884	18,256	29,910	4,372	437	2.8%	11,654	896	3.9%
Austin	277,830	331,323	436,518	53,493	5,349	1.8%	105,195	8,092	2.1%
San Antonio	407,712	479,565	549,921	71,853	7,185	1.6%	70,356	5,412	1.1%

Source: U.S. Census; ESRI Business Analyst; Economic & Planning Systems

In 2023, the median age of a New Braunfels resident was 38. In comparison, Austin and San Antonio had median ages of 34 and 35, respectively. San Marcos distinguished itself with a significantly lower median age of 26. Given its status as an affordable college town in proximity to Austin, it is unsurprising that San Marcos attracts a younger demographic. Approximately 36.5 percent of San Marcos residents fall within the age range of 20 to 29, as shown in **Figure 1**.

New Braunfels has the highest median age in the region, but also the highest percentage of children aged 0 to 14, at 20.7 percent. The city's population is evenly distributed across other age groups, suggesting a sustainable workforce and potential for future growth. Austin and San Antonio follow similar trends, with evenly distributed age groups.

Figure 1. Age Distribution, 2023

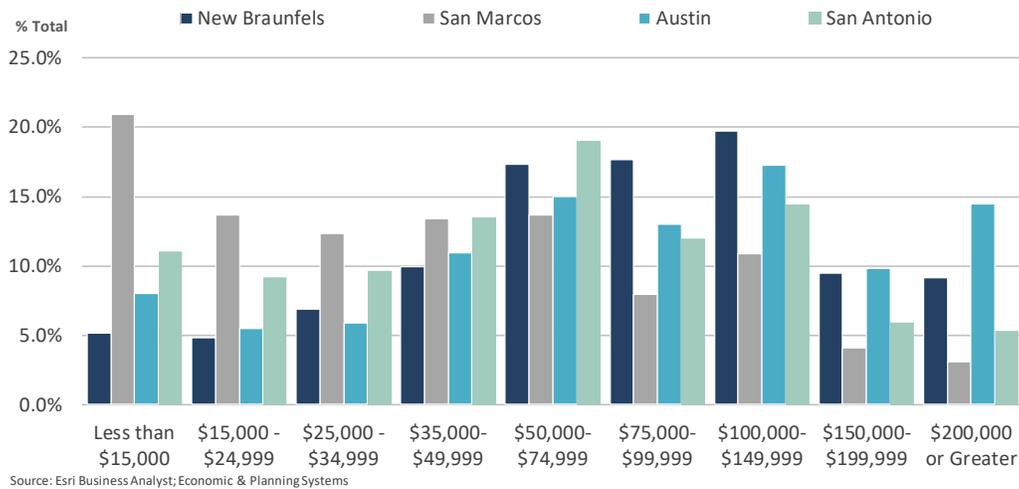


Source: Esri Business Analyst; Economic & Planning Systems

New Braunfels' median household income of \$81,675 was slightly below Austin's \$82,380 but significantly higher than San Marcos' \$37,665 and San Antonio's \$56,608. Approximately 60 percent of New Braunfels households earn an annual income of \$75,000 or more, which is similar to Austin where 54.6 percent fall within this bracket. However, in San Antonio, only 37.6 percent reach this income level, while in San Marcos, the proportion dwindles to just 26 percent, illustrated in **Figure 2**.

Notably, the most prevalent income group in New Braunfels, accounting for 19.7 percent of the population, falls within the \$100,000 to \$149,999 range. Moreover, a substantial 38.3 percent of residents earn \$100,000 or more annually.

Figure 2. Household Income Distribution, 2023



Housing Characteristics

The number of housing units in New Braunfels has grown considerably over the past few decades. From 2000 to 2010, New Braunfels grew on average 3.8 percent each year. Between 2010 to 2023, the number of units grew at a rate of 4.5 percent annually, adding on average 1,402 units each year, as shown in **Table 2**.

Similarly, the number of housing units in San Marcos has also grown substantially. Between 2000 and 2010, housing units grew at a rate of 2.9 percent, adding an average of 486 units annually. Between 2010 to 2023, this growth increased to approximately 1,010 units each year, reflecting a growth rate of 4.0 percent. Meanwhile, Austin and San Antonio have maintained steady growth, with annual increases of 2.1 percent and 1.1 percent, respectively, since 2010.

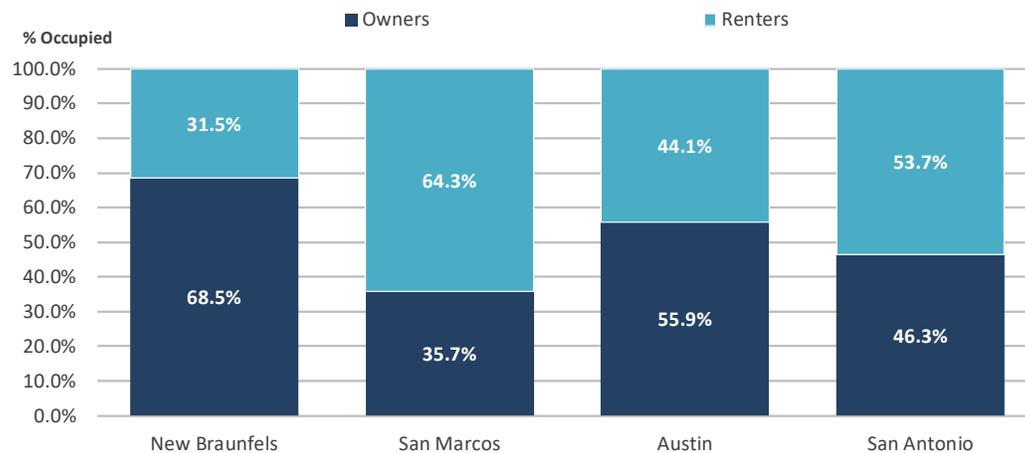
Table 2. Housing Inventory, 2000-2023

Housing Tenure	2000	2010	2023	2000-2010			2010-2023		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
New Braunfels									
Owner Occupied	10,075	14,441	26,252	4,366	437	3.7%	11,811	909	4.7%
Renter Occupied	4,974	7,311	12,085	2,337	234	3.9%	4,774	367	3.9%
Vacant	<u>1,407</u>	<u>2,159</u>	<u>3,804</u>	<u>752</u>	<u>75</u>	<u>4.4%</u>	<u>1,645</u>	<u>127</u>	<u>4.5%</u>
Total	16,456	23,911	42,141	7,455	746	3.8%	18,230	1,402	4.5%
San Marcos									
Owner Occupied	5,101	5,757	10,686	656	66	1.2%	4,929	379	4.9%
Renter Occupied	8,783	12,500	19,224	3,717	372	3.6%	6,724	517	3.4%
Vacant	<u>880</u>	<u>1,364</u>	<u>2,843</u>	<u>484</u>	<u>48</u>	<u>4.5%</u>	<u>1,479</u>	<u>114</u>	<u>5.8%</u>
Total	14,764	19,621	32,753	4,857	486	2.9%	13,132	1,010	4.0%
Austin									
Owner Occupied	128,886	151,050	192,561	22,164	2,216	1.6%	41,511	3,193	1.9%
Renter Occupied	148,944	180,266	243,957	31,322	3,132	1.9%	63,691	4,899	2.4%
Vacant	<u>11,715</u>	<u>29,907</u>	<u>38,641</u>	<u>18,192</u>	<u>1,819</u>	<u>9.8%</u>	<u>8,734</u>	<u>672</u>	<u>2.0%</u>
Total	289,545	361,223	475,159	71,678	7,168	2.2%	113,936	8,764	2.1%
San Antonio									
Owner Occupied	238,241	271,253	295,073	33,012	3,301	1.3%	23,820	1,832	0.6%
Renter Occupied	169,471	208,307	254,848	38,836	3,884	2.1%	46,541	3,580	1.6%
Vacant	<u>27,924</u>	<u>44,914</u>	<u>57,143</u>	<u>16,990</u>	<u>1,699</u>	<u>4.9%</u>	<u>12,229</u>	<u>941</u>	<u>1.9%</u>
Total	435,636	524,474	607,064	88,838	8,884	1.9%	82,590	6,353	1.1%

Source: U.S. Census; ESRI Business Analyst; Economic & Planning Systems

Historically, housing development in New Braunfels has been single-family homes. In 2023, 68.5 percent of occupied homes in New Braunfels were owner-occupied, as shown in **Figure 3**. San Marcos had the opposite trend, with approximately 64.3 percent of homes occupied by renters. This is attributed to the presence of college students, lower incomes, and a younger demographic in the area. Austin's rate of owner occupancy is 55.9 percent, while San Antonio stands at 46.3 percent.

Figure 3. Housing Tenure, 2023

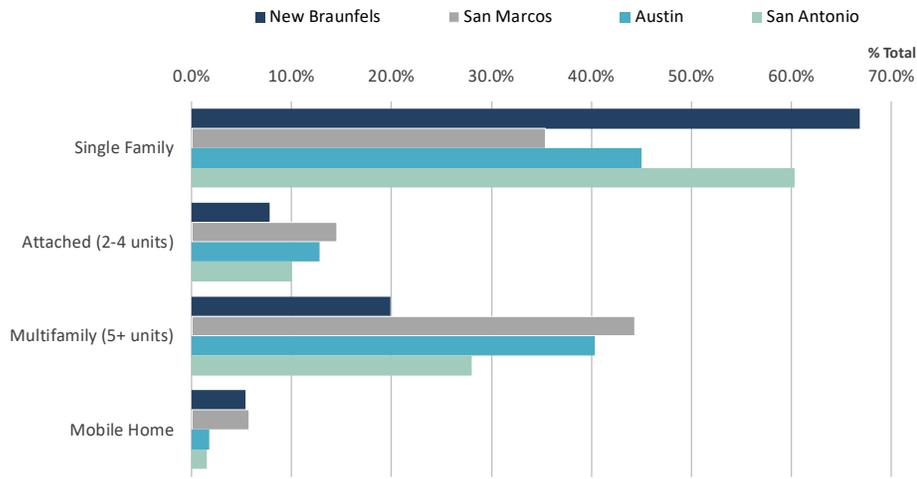


Source: Esri Business Analyst; Economic & Planning Systems

Given the housing tenure in New Braunfels, it is unsurprising that most housing units are single-family residences. Specifically, 66.9 percent of the housing units in New Braunfels are single-family homes, followed by 19.9 percent multifamily units, which include stacked condominium buildings and apartments of five units or more, 7.8 percent attached units (two to four units), and 5.4 percent mobile homes, as shown in **Figure 4**. Conversely, the predominant housing type in San Marcos is multifamily units, making up 44.3 percent of the market. The number of multifamily housing units aligns with the student population and lower incomes of San Marcos.

Austin's housing stock is split between single-family units, at 45.1 percent, and multifamily units, at 40.3 percent. This distribution reflects the city center's growing popularity and the need for denser housing options. In contrast, San Antonio is made up of single-family units, accounting for 60.3 percent of the housing stock, while only 28.1 percent are multifamily.

Figure 4. Housing Units by Type, 2021

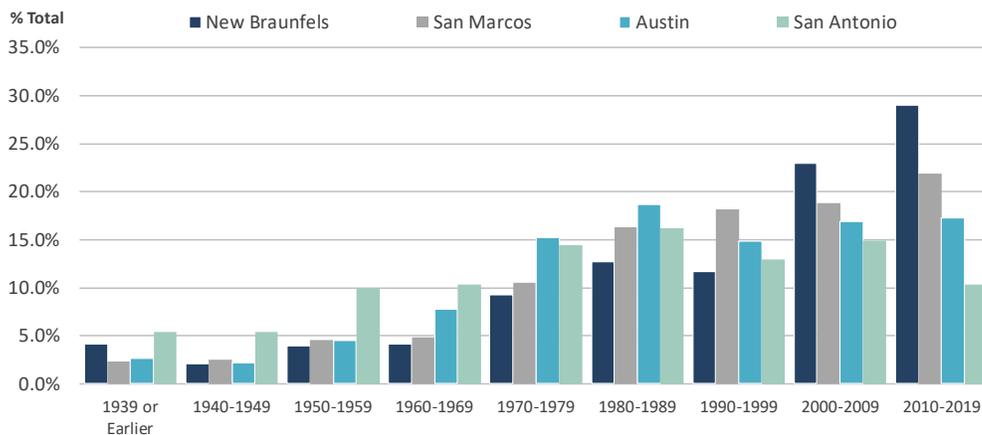


Source: ESRI Business Analyst, U.S. Census; Economic & Planning Systems

The age of houses in New Braunfels, San Marcos, Austin, and San Antonio provides valuable insights into the historical development and composition of each city's housing stock and is illustrated in **Figure 5**. In New Braunfels, there is a notable concentration of newer housing units built between 2000 and 2019, comprising 52.0 percent of the total housing stock. This trend aligns with the city's growth and development over the past two decades. Similarly, over 40 percent of the homes in San Marcos were built between 2000 to 2019.

Conversely, Austin and San Antonio have a more balanced distribution of housing units across various decades, reflecting their larger and more established housing markets. The median year built for housing units in each city further underscores these differences. New Braunfels has the newest housing stock and a median year built of 2001. Followed by San Marcos with a median year built of 1995, Austin, 1990, and San Antonio, 1983.

Figure 5. Housing by Year Built, 2021



Source: U.S. Census; Economic & Planning Systems

Employment

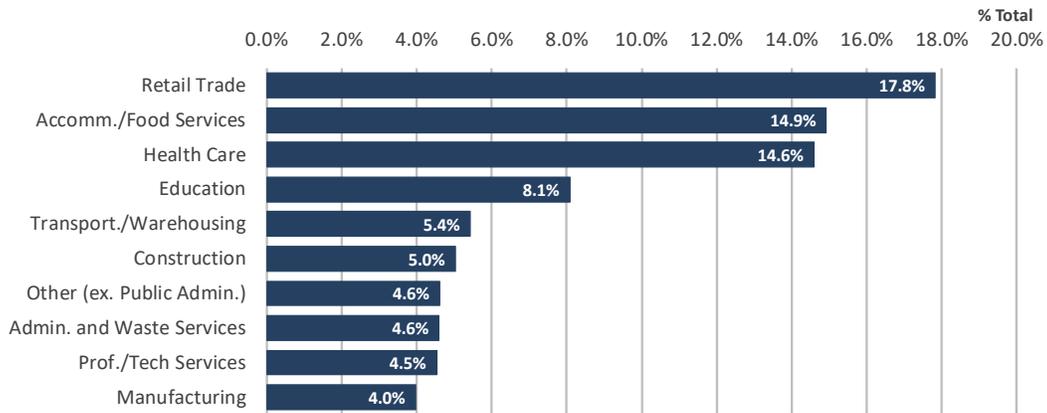
From 2001 to 2011, New Braunfels experienced a modest increase in jobs, which is notable considering the impacts of the Great Recession. New Braunfels gained nearly 6,000 jobs during that time, equating to a 2.2 percent annual growth rate or roughly 596 jobs per year, as indicated in **Table 3**. The following decade, between 2011 and 2022, New Braunfels grew at a faster rate of 3.5 percent annually, the equivalent of 1,259 jobs added each year. In 2022, New Braunfels job market had a total of 45,954 jobs. The largest industry based on total employment was Retail Trade with 8,187 jobs, accounting for 17.8 percent of total employment, shown in **Figure 6**. The second largest industry was Accommodation and Food Services with 6,856 jobs and 14.9 percent of total employment, followed by Health Care with 6,700 jobs, Education with 3,712 jobs, and Transportation and Warehousing with 2,494 jobs.

Table 3. New Braunfels Employment Growth by Industry, 2001-2022

New Braunfels	2001	2011	2022	2001-2011			2011-2022		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
Ag./Forestry/Fishing	148	121	104	-27	-3	-2.0%	-17	-1	-1.4%
Mining	147	19	102	-128	-13	-18.4%	83	7	1.7%
Utilities	303	306	408	3	0	0.1%	102	9	2.2%
Construction	1,318	1,263	2,311	-56	-6	-0.4%	1,048	87	4.2%
Manufacturing	3,638	1,750	1,824	-1,889	-189	-7.1%	74	6	0.5%
Wholesale Trade	1,048	2,140	800	1,092	109	7.4%	-1,340	-112	-8.7%
Retail Trade	5,196	5,025	8,187	-171	-17	-0.3%	3,162	264	4.4%
Transport./Warehousing	337	1,096	2,494	759	76	12.5%	1,398	117	5.6%
Information	263	235	356	-29	-3	-1.1%	121	10	3.7%
Finance	563	884	1,238	321	32	4.6%	354	30	2.9%
Real Estate	706	479	985	-227	-23	-3.8%	506	42	5.1%
Prof./Tech Services	574	905	2,080	331	33	4.7%	1,175	98	8.1%
Management	88	465	793	377	38	18.1%	328	27	6.6%
Admin. and Waste Services	683	1,112	2,111	429	43	5.0%	1,000	83	5.9%
Education	1,753	2,345	3,712	591	59	2.9%	1,367	114	4.0%
Health Care	2,880	4,682	6,700	1,802	180	5.0%	2,019	168	3.7%
Arts/Rec.	795	1,281	1,558	486	49	4.9%	277	23	2.5%
Accomm./Food Services	2,623	4,667	6,856	2,044	204	5.9%	2,189	182	4.1%
Other (ex. Public Admin.)	1,183	1,233	2,118	50	5	0.4%	886	74	4.5%
Public Admin.	645	843	1,216	198	20	2.7%	373	31	2.8%
Total	24,891	30,849	45,954	5,958	596	2.2%	15,105	1,259	3.5%

Source: JobsEQ; Economic & Planning Systems

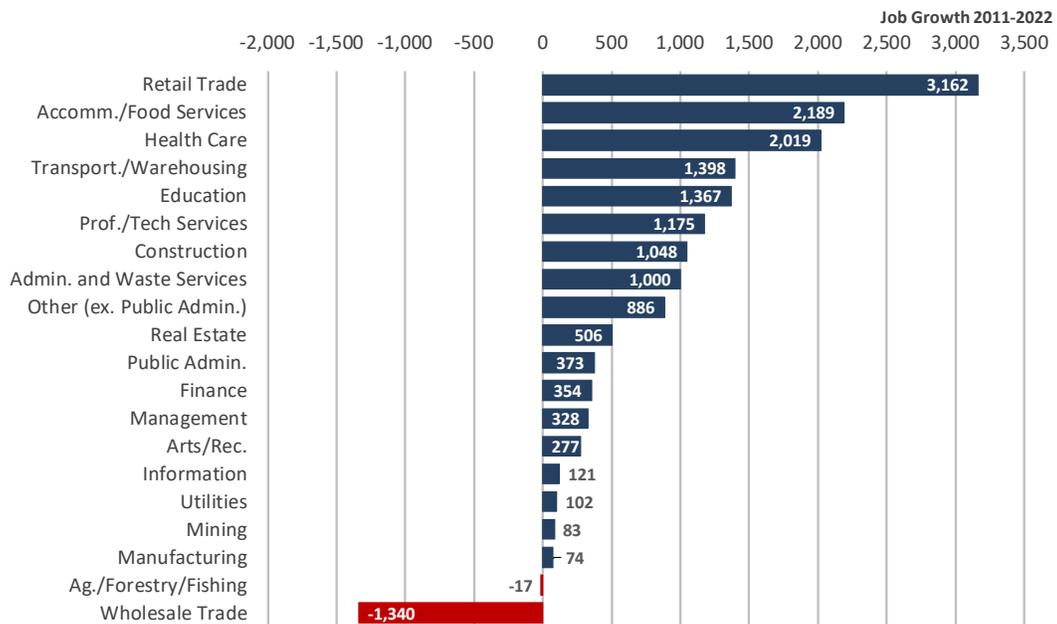
Figure 6. New Braunfels Largest Employment Industries, 2022



Source: JobsEQ, Economic & Planning Systems

From 2011 to 2022, all but two industries in New Braunfels experienced job growth, illustrated in **Figure 7**. The Retail Trade industry grew the most, adding 3,162 jobs over the period, which accounts for 20.9 percent of the total growth. Other fast-growing industries include Accommodation and Food Services with 2,189 jobs, Health Care adding 2,019 jobs, Transportation and Warehousing adding 1,398 jobs, and Education adding 1,367 jobs. The industries that saw a decline in jobs during this period were Agriculture, Forestry and Fishing, which lost 17 jobs, and Wholesale Trade which saw a decline of 1,340 jobs.

Figure 7. New Braunfels Job Growth by Industry, 2011-2022



Source: JobsEQ, Economic & Planning Systems

New Braunfels' average annual wage in 2022 was \$60,420, as shown in **Table 4**. Since 2011, wages for all industries have grown at an average rate of 3.9 percent per year. Industries with the highest average annual percent wage increase between 2011 to 2022 are Real Estate (6.6 percent), Retail Trade (6.0 percent), Wholesale Trade (5.1 percent), and Finance (5.0 percent). The highest paid sectors in New Braunfels are Management with an average wage of \$143,375, Wholesale Trade (\$87,223), Finance (\$81,792), Mining (\$80,408), and Utilities (\$78,545).

Table 4. New Braunfels Average Annual Wage by Industry, 2001-2022

New Braunfels	2001	2011	2022	2001-2011			2011-2022		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
Ag./Forestry/Fishing	\$4,947	\$6,043	\$6,503	\$1,096	\$110	2.0%	\$459	\$42	0.7%
Mining	\$37,877	\$52,565	\$80,408	\$14,688	\$1,469	3.3%	\$27,843	\$2,531	3.9%
Utilities	\$35,107	\$49,305	\$78,545	\$14,198	\$1,420	3.5%	\$29,240	\$2,658	4.3%
Construction	\$31,275	\$42,205	\$62,164	\$10,930	\$1,093	3.0%	\$19,959	\$1,814	3.6%
Manufacturing	\$31,052	\$43,169	\$58,450	\$12,117	\$1,212	3.3%	\$15,281	\$1,389	2.8%
Wholesale Trade	\$37,643	\$50,432	\$87,223	\$12,789	\$1,279	3.0%	\$36,790	\$3,345	5.1%
Retail Trade	\$23,425	\$22,927	\$43,491	-\$498	-\$50	-0.2%	\$20,564	\$1,869	6.0%
Transport./Warehousing	\$33,774	\$46,695	\$50,426	\$12,921	\$1,292	3.3%	\$3,731	\$339	0.7%
Information	\$30,920	\$52,207	\$73,157	\$21,287	\$2,129	5.4%	\$20,950	\$1,905	3.1%
Finance	\$33,715	\$47,878	\$81,792	\$14,163	\$1,416	3.6%	\$33,914	\$3,083	5.0%
Real Estate	\$24,081	\$33,319	\$67,535	\$9,237	\$924	3.3%	\$34,217	\$3,111	6.6%
Prof./Tech Services	\$36,891	\$52,061	\$71,014	\$15,170	\$1,517	3.5%	\$18,953	\$1,723	2.9%
Management	\$32,293	\$84,429	\$143,375	\$52,136	\$5,214	10.1%	\$58,946	\$5,359	4.9%
Admin. and Waste Services	\$17,065	\$30,438	\$45,749	\$13,373	\$1,337	6.0%	\$15,312	\$1,392	3.8%
Education	\$26,226	\$36,419	\$45,984	\$10,193	\$1,019	3.3%	\$9,565	\$870	2.1%
Health Care	\$28,818	\$35,947	\$54,682	\$7,129	\$713	2.2%	\$18,735	\$1,703	3.9%
Arts/Rec.	\$15,863	\$20,883	\$27,558	\$5,020	\$502	2.8%	\$6,675	\$607	2.6%
Accomm./Food Services	\$11,802	\$15,026	\$24,566	\$3,224	\$322	2.4%	\$9,540	\$867	4.6%
Other (ex. Public Admin.)	\$18,467	\$24,415	\$39,628	\$5,948	\$595	2.8%	\$15,213	\$1,383	4.5%
Public Admin.	\$31,185	\$47,316	\$66,151	\$16,131	\$1,613	4.3%	\$18,835	\$1,712	3.1%
Total	\$27,121	\$39,684	\$60,420	\$12,563	\$1,256	3.9%	\$20,736	\$1,885	3.9%

Source: JobsEQ; Economic & Planning Systems

Commuting

In-Commuting

The proportion of in-commuters is shown below in **Table 5**. This data includes workers who live outside of, but work within, New Braunfels. Approximately 72.1 percent of workers commute to New Braunfels from surrounding areas. From 2002 to 2021, the number of in-commuters increased by 4.1 percent annually reflecting an increase in workers who live outside the city. In-commuting has been generally stable since 2010.

Table 5. New Braunfels In-Commuting, 2002-2021

Description	2002	2010	2021	2002-2021		
				Total	Ann. #	Ann. %
New Braunfels Workers						
Live in New Braunfels	7,477	6,639	11,203	3,726	196	2.2%
In-Commuters	<u>13,492</u>	<u>18,100</u>	<u>28,988</u>	<u>15,496</u>	<u>816</u>	<u>4.1%</u>
Total	20,969	24,739	40,191	19,222	1,012	3.5%
New Braunfels Workers						
Live in New Braunfels	35.7%	26.8%	27.9%			
In-Commuters	<u>64.3%</u>	<u>73.2%</u>	<u>72.1%</u>			
Total	100.0%	100.0%	100.0%			

Source: U.S. Census Longitudinal Employer-Household Dynamics; Economic & Planning Systems

Out-Commuting

The number of out-commuters, local New Braunfels residents who work outside the city, is shown below in **Table 6**. Approximately 72.9 percent of New Braunfels residents commute outside the city for work. From 2002 to 2021, the number of out-commuters increased by 5.4 percent annually. This is an additional 1,004 out-commuters added on average each year, reflecting the greater interconnectivity along the I-35 corridor.

Table 6. New Braunfels Out-Commuting, 2002-2021

Description	2002	2010	2021	2002-2021		
				Total	Ann. #	Ann. %
New Braunfels Residents						
Work in New Braunfels	7,477	6,639	11,203	3,726	196	2.2%
Out-Commuters	<u>10,998</u>	<u>14,280</u>	<u>30,069</u>	<u>19,071</u>	<u>1,004</u>	<u>5.4%</u>
Total	18,475	20,919	41,272	22,797	1,200	4.3%
New Braunfels Residents						
Work in New Braunfels	40.5%	31.7%	27.1%			
Out-Commuters	<u>59.5%</u>	<u>68.3%</u>	<u>72.9%</u>			
Total	100.0%	100.0%	100.0%			

Source: U.S. Census Longitudinal Employer-Household Dynamics; Economic & Planning Systems

4. Market Conditions

This section provides an overview of the market conditions for various key asset classes in New Braunfels, encompassing office, retail, industrial, hospitality, and residential markets, both for-rent and for-sale.

Office Market

The office market within this section is divided into two parts: all office classes and medical office. Medical office has been distinguished as it has continued to grow even with the challenges that the COVID-19 pandemic brought to the office market.

Local and Regional Trends

From 2010 to 2023, the office market in New Braunfels outpaced that of neighboring regions. New Braunfels experienced a growth rate of 3.0 percent annually, equivalent to 60,102 square feet of office space each year. This resulted in an increase of 781,327 square feet of office space over the period, bringing New Braunfels' total office inventory to nearly 2.5 million square feet, shown in **Table 7**. In comparison, San Marcos grew at a rate of 2.2 percent annually, adding a total of 373,753 square feet of office space to reach just over 1.5 million square feet in total.

Both Austin and San Antonio have larger, more established office markets, with 114 million and 84 million square feet of office space, respectively. San Antonio, with its larger base, has grown incrementally at an annual rate of 1.2 percent. Austin is an anomaly on the national landscape, with a sizeable base and a very strong growth rate. Located between these two anchors, New Braunfels is well positioned for growth.

Table 7. Office Inventory (sq. ft.), 2010-2023

Inventory (sq. ft.)	2010	2015	2023	2010-2023			2015-2023		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
New Braunfels	1,698,086	1,951,355	2,479,413	781,327	60,102	3.0%	528,058	66,007	3.0%
San Marcos	1,159,740	1,279,932	1,533,493	373,753	28,750	2.2%	253,561	31,695	2.3%
Austin	85,034,980	90,983,429	114,051,261	29,016,281	2,232,022	2.3%	23,067,832	2,883,479	2.9%
San Antonio	71,812,486	76,285,945	83,669,314	11,856,828	912,064	1.2%	7,383,369	922,921	1.2%

Source: CoStar; Economic & Planning Systems

Office rental rates have experienced significant growth across all regions since 2010. In New Braunfels, the average rent per square foot for office space in 2023 was \$24.09, marking a 4.1 percent annual increase since 2010 when the rent was \$14.27 per square foot, see **Table 8** and **Figure 8**. Despite being higher than both San Marcos and San Antonio, the average office space rent in New Braunfels still falls significantly below that of Austin. This rise in New Braunfels' office space rent can be attributed to location demand and the introduction of new office spaces equipped with modern amenities and improved infrastructure.

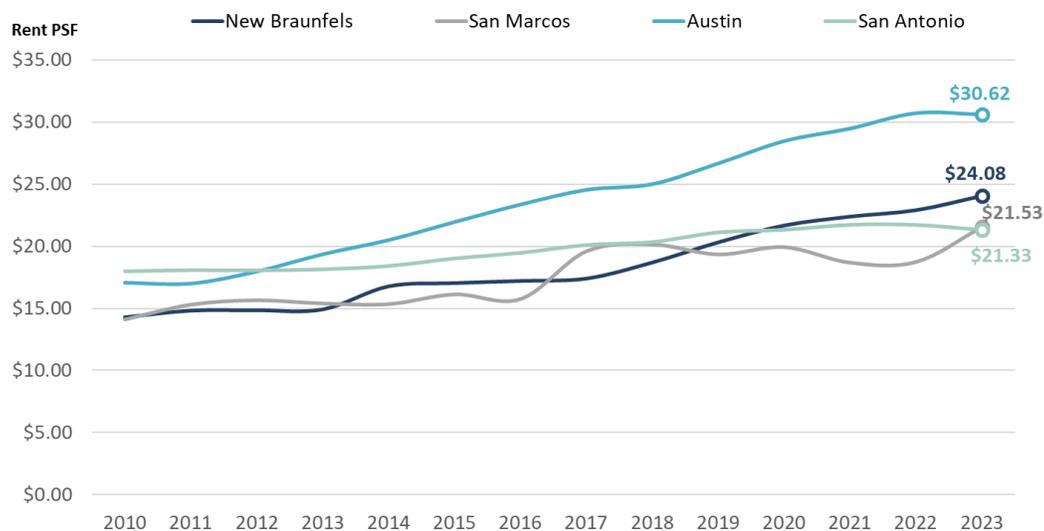
Comparatively, the average rents in San Marcos and San Antonio are \$21.53 and \$21.33 per square foot, respectively; while in Austin, the rent averages \$30.62 per square foot.

Table 8. Office Rental Rate (per sq. ft.), 2010-2023

Rent per sq. ft.	2010	2015	2023	2010-2023			2015-2023		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
New Braunfels	\$14.27	\$17.03	\$24.08	\$9.81	\$0.75	4.1%	\$7.06	\$0.88	4.4%
San Marcos	\$14.08	\$16.10	\$21.53	\$7.45	\$0.57	3.3%	\$5.43	\$0.68	3.7%
Austin	\$17.07	\$21.96	\$30.62	\$13.55	\$1.04	4.6%	\$8.66	\$1.08	4.2%
San Antonio	\$17.95	\$19.00	\$21.33	\$3.37	\$0.26	1.3%	\$2.32	\$0.29	1.5%

Source: CoStar; Economic & Planning Systems

Figure 8. Office Rental Rate (per sq. ft.), 2010-2023



Source: CoStar; Economic & Planning Systems

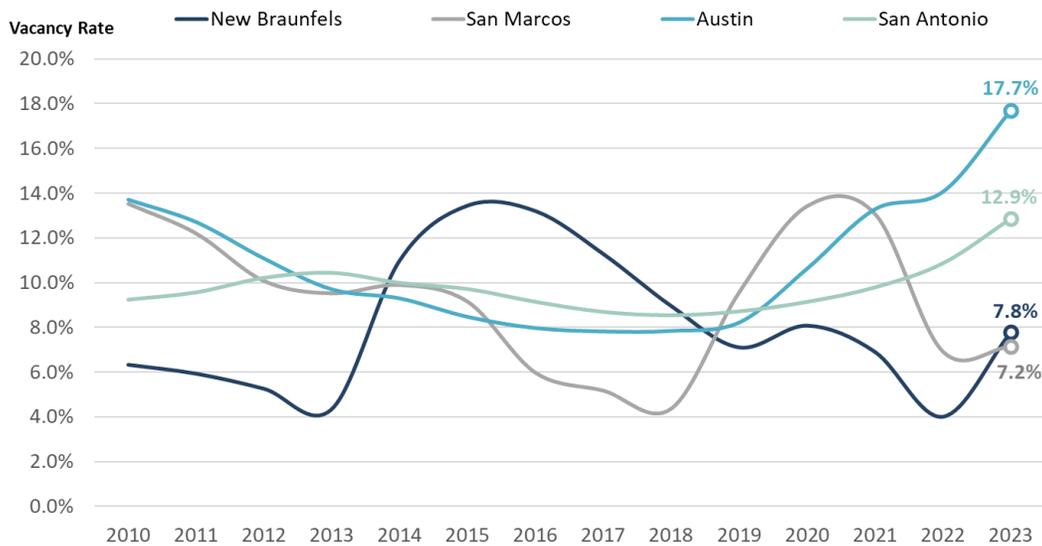
Office vacancy rates across all regions are displayed in **Table 9** and illustrated in **Figure 9**. Vacancy rates in Austin and San Antonio reached 17.7 percent and 12.9 percent, respectively in 2023. Conversely, the office vacancy rate in New Braunfels and San Marcos considerably declined, to 7.8 and 7.2 percent, respectively. Office vacancy rates have been fluctuating across the country following work-from-home, then back-to-office trends. The direction of these trends is difficult to predict, although the data suggest that the smaller regional markets, including New Braunfels, are poised to benefit from tenants who are seeking a flight to quality.

Table 9. Office Vacancy Rate, 2010-2023

Vacancy Rate	2010	2015	2023	2010-2023			2015-2023		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
New Braunfels	6.3%	13.5%	7.8%	1.5%	0.1%	1.6%	-5.7%	-0.7%	-6.6%
San Marcos	13.5%	9.2%	7.2%	-6.4%	-0.5%	-4.8%	-2.0%	-0.3%	-3.0%
Austin	13.7%	8.5%	17.7%	4.0%	0.3%	2.0%	9.2%	1.2%	9.6%
San Antonio	9.3%	9.7%	12.9%	3.6%	0.3%	2.6%	3.2%	0.4%	3.6%

Source: CoStar; Economic & Planning Systems

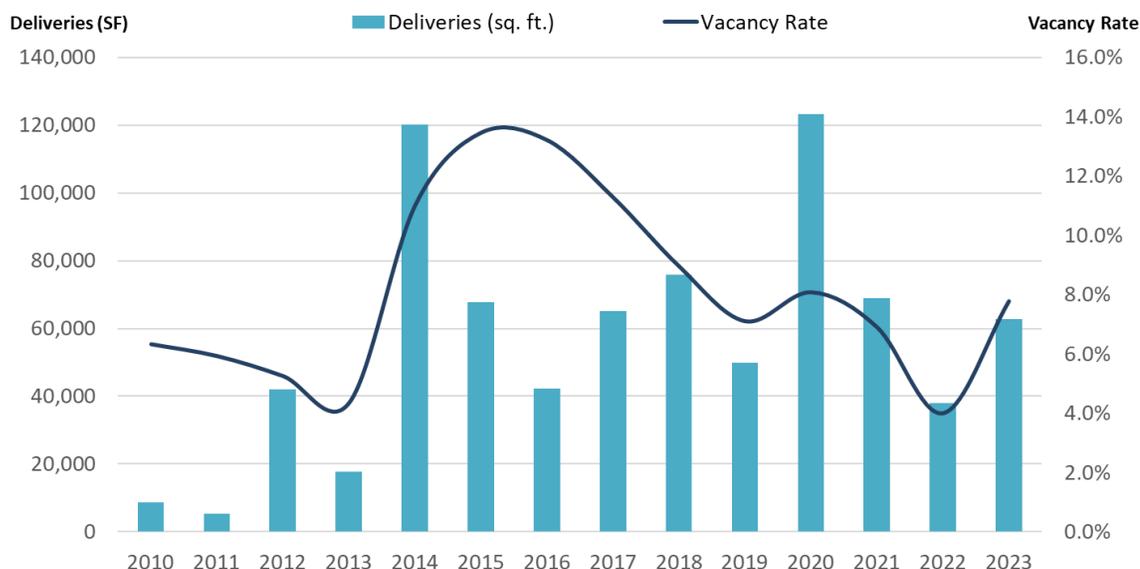
Figure 9. Office Vacancy Rate, 2010-2023



Source: CoStar; Economic & Planning Systems

The office vacancy rates in New Braunfels exhibited fluctuations between 2010 and 2023, reaching a peak high of 13.5 percent. This peak is attributed to the delivery of nearly 120,000 square feet that year, illustrated in **Figure 9**. As shown in the data, the additional office space was absorbed, and the vacancy rate gradually normalized.

Figure 10. New Braunfels Office Vacancy and Deliveries, 2010-2023



Source: CoStar; Economic & Planning Systems

Medical Office

The inventory of medical office within New Braunfels and the surrounding regions is summarized in **Table 10**. New Braunfels added a total of 375,324 square feet of medical office since 2010, increasing total inventory to roughly 900,000 square feet. San Marcos has a smaller medical office market, with just over 512,000 square feet. Austin and San Antonio, being larger and more urbanized markets, have significantly larger medical office inventories, with 9 million and 15.5 million square feet, respectively. This stark contrast in inventory size is expected given the population and urbanization levels of these regions.

Table 10. Medical Office Inventory (sq. ft.), 2010-2023

Inventory (sq. ft.)	2010	2015	2023	2010-2023			2015-2023		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
New Braunfels	522,671	685,487	897,995	375,324	28,871	4.3%	212,508	26,564	3.4%
San Marcos	306,587	331,113	512,617	206,030	15,848	4.0%	181,504	22,688	5.6%
Austin	6,380,560	7,202,992	9,051,501	2,670,941	205,457	2.7%	1,848,509	231,064	2.9%
San Antonio	12,553,558	13,812,254	15,529,100	2,975,542	228,888	1.6%	1,716,846	214,606	1.5%

Source: CoStar; Economic & Planning Systems

In 2023, the rental rate per square foot for medical office space in New Braunfels was \$24.20, a significant increase compared to 2010 when the rate was \$13.80 per square foot as shown in **Table 11**. This rise can be attributed to the growth and popularity of the region, as well as advancements in medical technology and the growing demand for specialized infrastructure and amenities in medical facilities over the years.

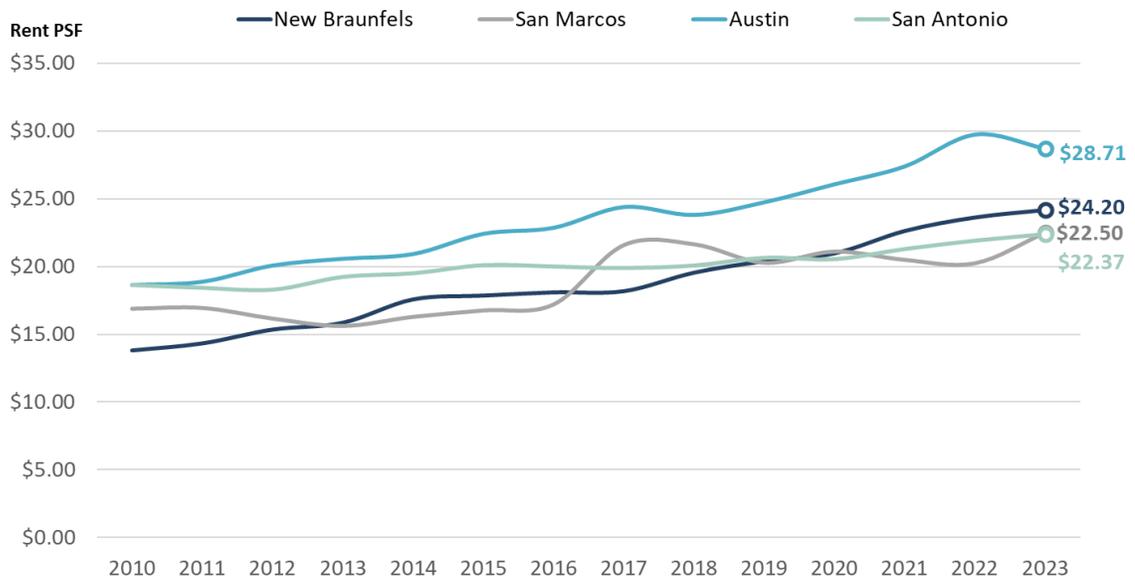
Despite the increase in rents, New Braunfels' rental rate per square foot aligns with rates in the region. Specifically, average rental rates per square foot range between \$22.37 in San Antonio and \$28.71 in Austin, as shown in **Table 11** and **Figure 11**. These variations in rental rates reflect differences in market dynamics, demand, and the quality of medical office spaces available in each region.

Table 11. Medical Office Rental Rate (per sq. ft.), 2010-2023

Rent per sq. ft.	2010	2015	2023	2010-2023			2015-2023		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
New Braunfels	\$13.80	\$17.86	\$24.20	\$10.40	\$0.80	4.4%	\$6.34	\$0.79	3.9%
San Marcos	\$16.88	\$16.75	\$22.50	\$5.63	\$0.43	2.2%	\$5.75	\$0.72	3.8%
Austin	\$18.65	\$22.43	\$28.71	\$10.06	\$0.77	3.4%	\$6.28	\$0.79	3.1%
San Antonio	\$18.66	\$20.11	\$22.37	\$3.71	\$0.29	1.4%	\$2.27	\$0.28	1.3%

Source: CoStar; Economic & Planning Systems

Figure 11. Medical Office Rental Rate (per sq. ft.), 2010-2023



Source: CoStar; Economic & Planning Systems

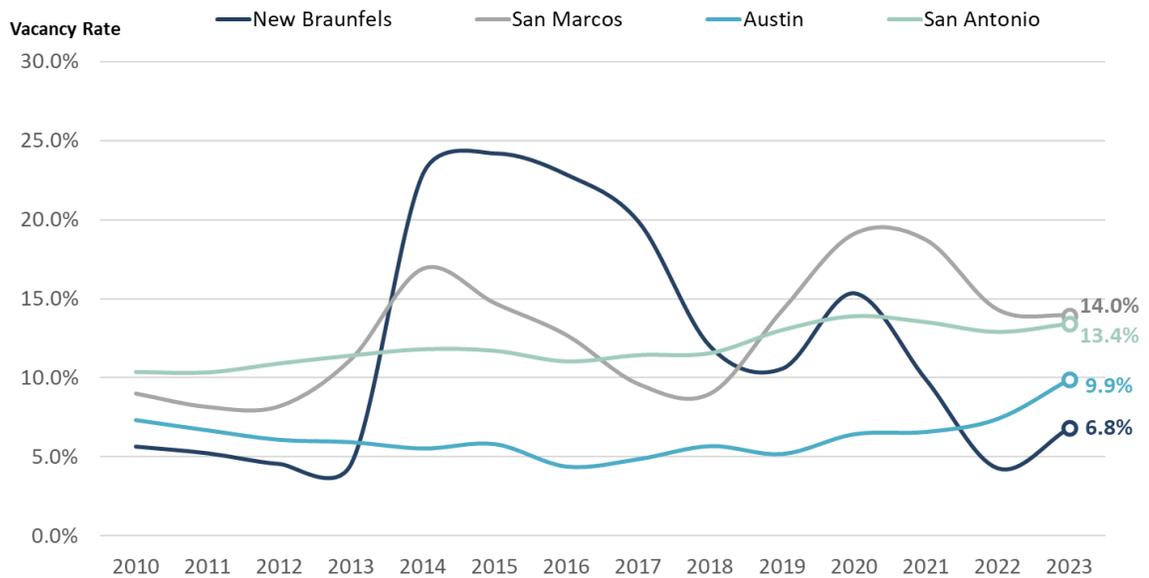
Regionally, New Braunfels had the lowest vacancy rate for medical offices at 6.8 percent, approximately half that of San Antonio and San Marcos as shown in **Table 12** and **Figure 12**. Although the vacancy rate in New Braunfels is up from 2010 when the rate was 5.7 percent it has decreased significantly since 2015 when the vacancy rate was 24.2 percent.

Table 12. Medical Office Vacancy Rate, 2010-2023

Vacancy Rate	2010	2015	2023	2010-2023			2015-2023		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
New Braunfels	5.7%	24.2%	6.8%	1.2%	0.1%	1.5%	-17.4%	-2.2%	-14.6%
San Marcos	9.0%	14.7%	14.0%	5.0%	0.4%	3.4%	-0.8%	-0.1%	-0.7%
Austin	7.3%	5.8%	9.9%	2.6%	0.2%	2.3%	4.1%	0.5%	6.9%
San Antonio	10.4%	11.7%	13.4%	3.1%	0.2%	2.0%	1.7%	0.2%	1.7%

Source: CoStar; Economic & Planning Systems

Figure 12. Medical Office Vacancy Rate, 2010-2023

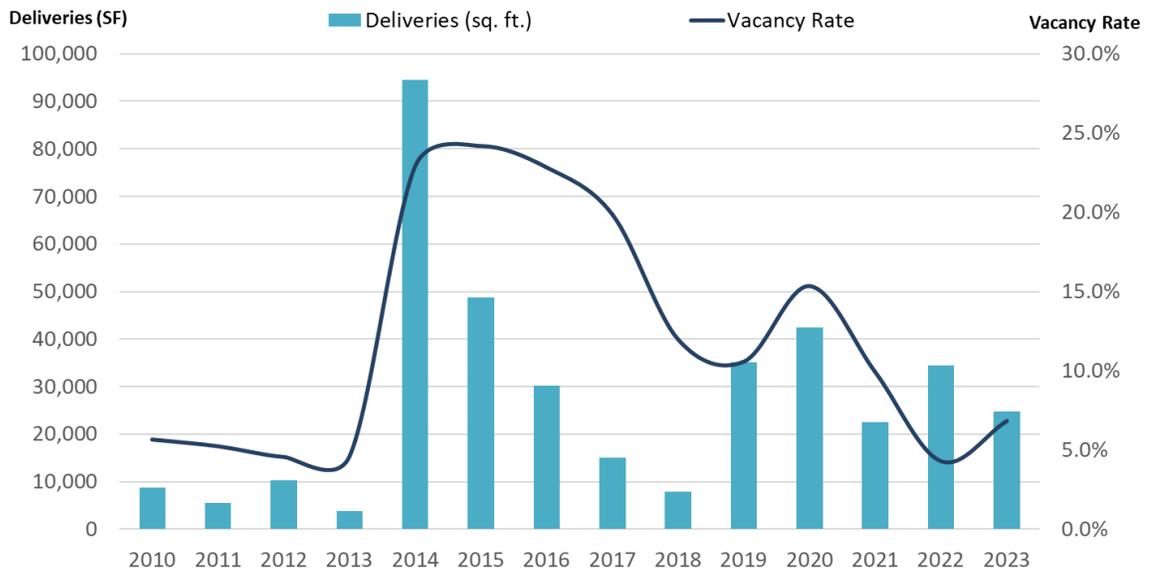


Source: CoStar; Economic & Planning Systems

Like the overall office market in New Braunfels, the medical office market is also subject to fluctuations in vacancy rates due to the introduction of new buildings to the market. These fluctuations serve as indicators of the demand for additional medical office space. Typically, after the delivery of new office space, the vacancy rate in New Braunfels rises temporarily before stabilizing as the space is absorbed by tenants.

The spike in the vacancy rate in New Braunfels in 2015 can be attributed to the delivery of the largest amount of medical office space seen in the city in the last 20 years, illustrated in **Figure 13**. Specifically, in 2014 and 2015, an estimated 143,000 square feet of medical office space was introduced to the market. Contextually, the average amount of medical office space delivered each year from 2010 to 2023 was 27,062 square feet. As this new space was absorbed over time, the vacancy rate gradually stabilized, highlighting the underlying demand for medical office space in the area.

Figure 13. New Braunfels Medical Office Vacancy and Deliveries, 2010-2023

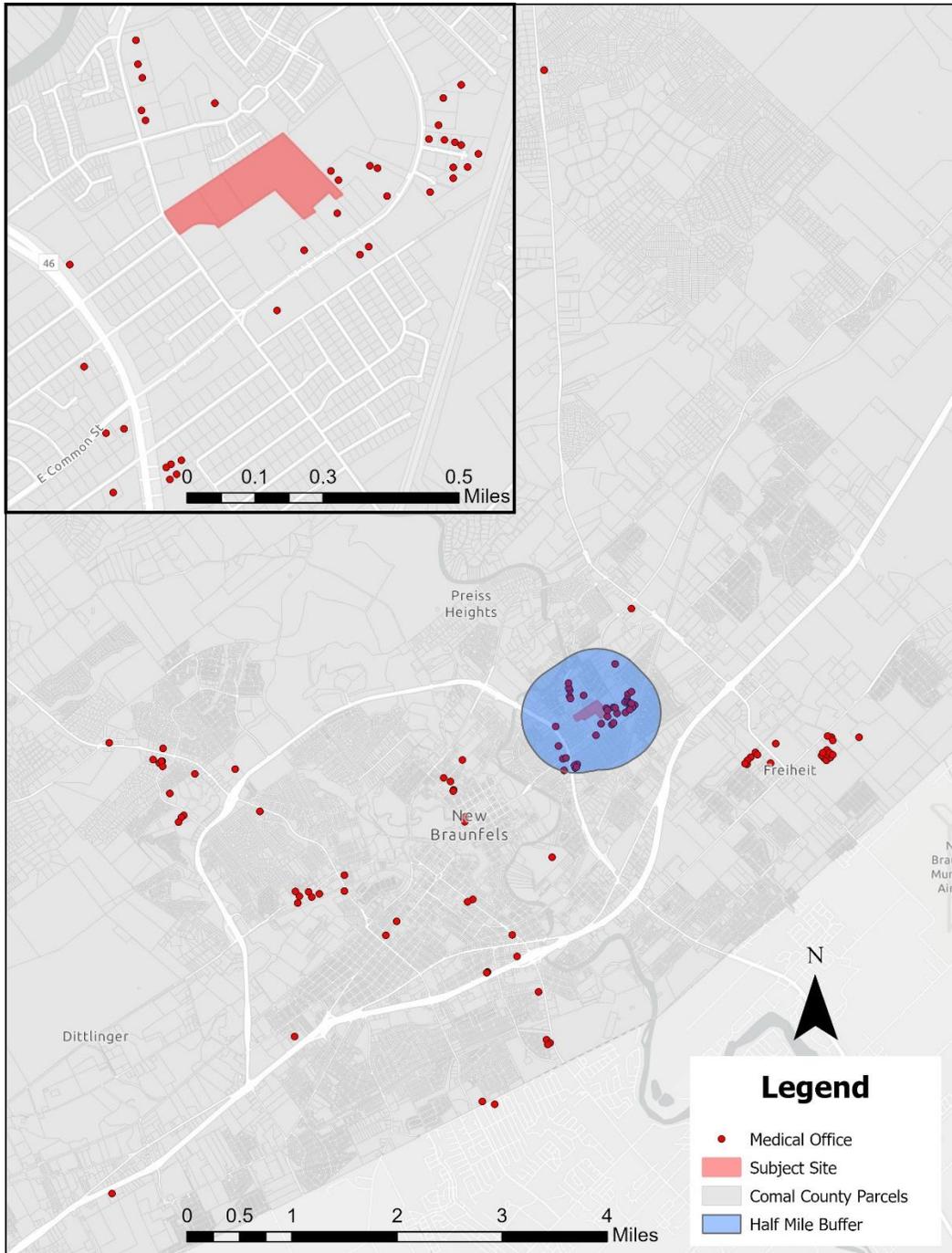


Source: CoStar; Economic & Planning Systems

Site Proximity

There are a total of 108 medical office buildings in New Braunfels, 39 of which are situated within a half-mile radius of the subject site (see **Figure 14**). Of these buildings, 78.7 percent are classified as Class B space, and 21.3 percent are Class C space. There are no Class A medical office buildings within the city limits.

Figure 14. Medical Offices near Subject Site



Retail Market

Local and Regional Trends

In 2023, New Braunfels had approximately 7.2 million square feet of retail space, as depicted in **Table 13**. Between 2010 to 2023, the City's retail space inventory grew at a rate of 2.3 percent annually. This equated to an additional 139,860 square feet per year or an overall addition of just over 1.8 million square feet. Notably, this growth rate surpasses that of nearby cities by more than double.

San Marcos grew at a rate of 0.7 percent annually, resulting in a total retail space inventory of approximately 5.9 million square feet. Austin experienced a growth rate of 0.5 percent yearly and has approximately 67 million square feet of retail space. Meanwhile, San Antonio's growth rate stood at 0.9 percent annually, resulting in a total of approximately 116.5 million square feet.

The accelerated growth of retail space in New Braunfels can be attributed to the influx of new households with strong household income, necessitating the addition of new retail establishments to cater to the growing population. In contrast, San Antonio and Austin, being more established markets, exhibit slower growth rates due to extensive retail infrastructure in place.

Table 13. Retail Inventory (sq. ft.), 2010-2023

Inventory (sq. ft.)	2010	2015	2023	2010-2023			2015-2023		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
New Braunfels	5,402,817	6,204,098	7,220,998	1,818,181	139,860	2.3%	1,016,900	127,113	1.9%
San Marcos	5,415,801	5,604,286	5,893,668	477,867	36,759	0.7%	289,382	36,173	0.6%
Austin	62,616,081	64,594,004	66,761,364	4,145,283	318,868	0.5%	2,167,360	270,920	0.4%
San Antonio	103,235,611	108,867,818	116,493,618	13,258,007	1,019,847	0.9%	7,625,800	953,225	0.8%

Source: CoStar; Economic & Planning Systems

In 2023, the average retail rental rate per square foot in New Braunfels was \$24.84, while in San Marcos it was \$25.56. Comparatively, the average retail rent in Austin was \$19.85 per square foot, and in San Antonio it was \$18.38, shown in **Table 14** and **Figure 15**.

The higher rents observed in New Braunfels and San Marcos can be attributed to the maturity of their respective retail markets. Austin and San Antonio, being more established retail hubs, boast a greater supply of retail space, leading to more competitive pricing among landlords. In contrast, New Braunfels and San Marcos have a more limited supply of retail space, resulting in higher rents as landlords capitalize on the limited inventory of available properties.

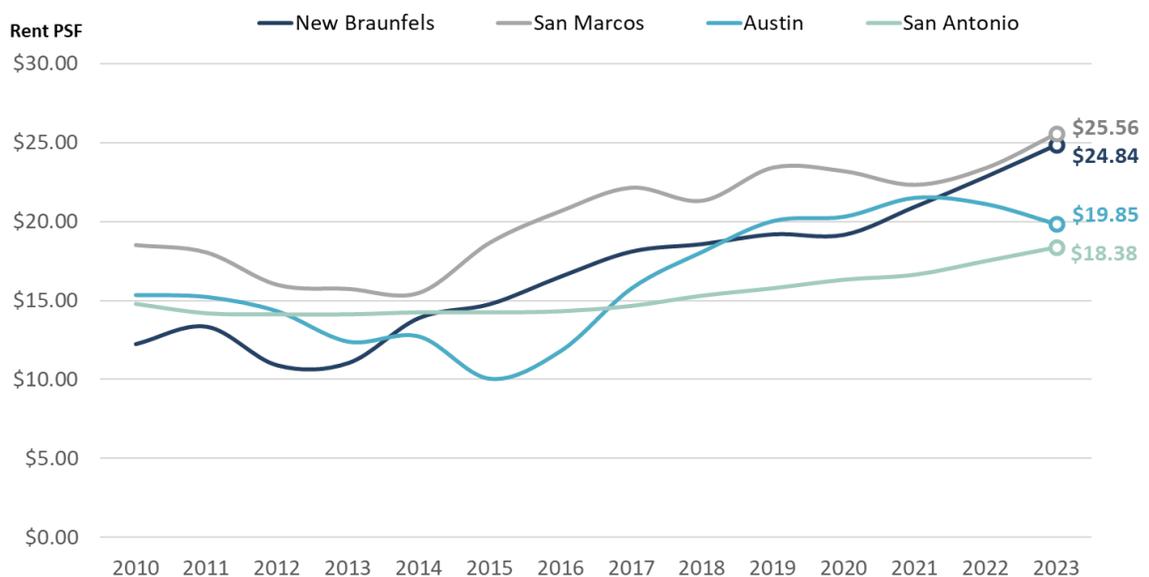
The combination of high rents and low vacancy rates in New Braunfels suggests a strong demand for retail space in the area.

Table 14. Retail Rental Rate (per sq. ft.), 2010-2023

Rental Rate	2010	2015	2023	2010-2023			2015-2023		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
New Braunfels	\$12.26	\$14.78	\$24.84	\$12.58	\$0.97	5.6%	\$10.06	\$1.26	6.7%
San Marcos	\$18.52	\$18.67	\$25.56	\$7.04	\$0.54	2.5%	\$6.89	\$0.86	4.0%
Austin	\$15.35	\$10.04	\$19.85	\$4.50	\$0.35	2.0%	\$9.82	\$1.23	8.9%
San Antonio	\$14.79	\$14.25	\$18.38	\$3.60	\$0.28	1.7%	\$4.14	\$0.52	3.2%

Source: CoStar; Economic & Planning Systems

Figure 15. Retail Rental Rate (per sq. ft.), 2010-2023



Source: CoStar; Economic & Planning Systems

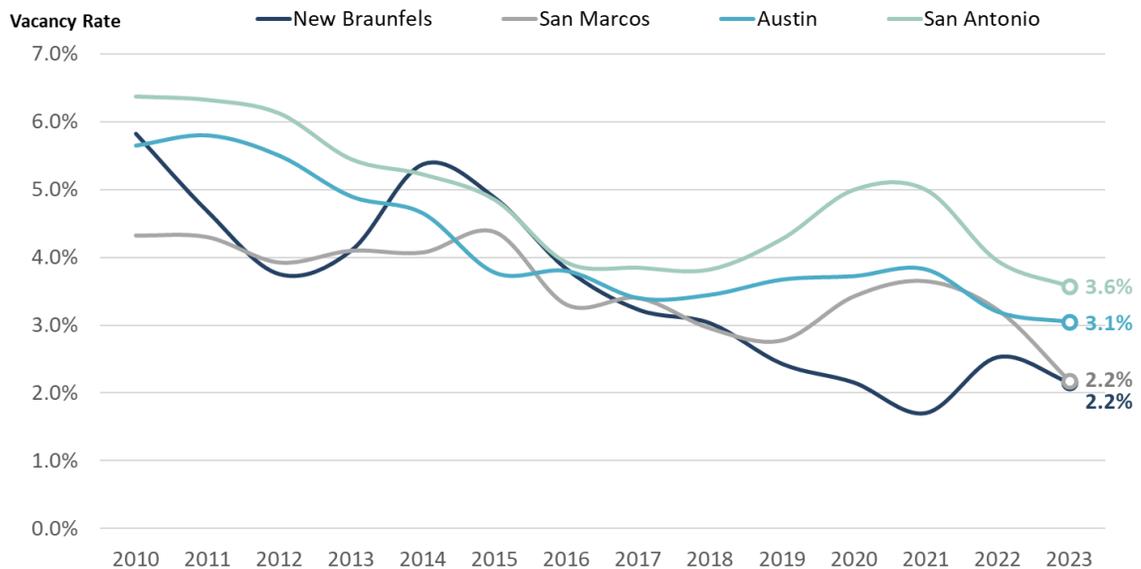
Since 2010, each of the cities have experienced all-time low vacancy rates, as depicted in **Table 15** and **Figure 16**. Both New Braunfels and San Marcos show vacancy rates of 2.2 percent, indicating strong demand and activity in their retail markets. Austin follows closely with a vacancy rate of 3.1 percent, while San Antonio's vacancy rate is slightly higher at 3.6 percent. Low vacancy rates in retail markets typically signify a healthy local economy with strong consumer spending and business activity.

Table 15. Retail Vacancy Rate, 2010-2023

Vacancy Rate	2010	2015	2023	2010-2023			2015-2023		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
New Braunfels	5.8%	4.9%	2.2%	-3.7%	-0.3%	-7.4%	-2.7%	-0.3%	-9.7%
San Marcos	4.3%	4.4%	2.2%	-2.2%	-0.2%	-5.2%	-2.2%	-0.3%	-8.4%
Austin	5.7%	3.8%	3.1%	-2.6%	-0.2%	-4.6%	-0.7%	-0.1%	-2.6%
San Antonio	6.4%	4.9%	3.6%	-2.8%	-0.2%	-4.4%	-1.3%	-0.2%	-3.7%

Source: CoStar; Economic & Planning Systems

Figure 16. Retail Vacancy Rate, 2010-2023



Source: CoStar; Economic & Planning Systems

Industrial Market

Local and Regional Trends

In New Braunfels, there are approximately 6.8 million square feet of industrial space, making it the smallest of the industrial markets when compared to the neighboring regions, shown in **Table 16**. In contrast, San Marcos has roughly 7.4 million square feet of industrial space. Meanwhile, Austin's industrial space is estimated at 84 million square feet, and San Antonio leads with a substantial 130.4 million square feet of industrial space. New Braunfels' industrial market has grown slowly since 2010, increasing at an annual rate of 1.5 percent or an average of 91,434 square feet each year.

Table 16. Industrial Inventory (sq. ft.), 2010-2023

Inventory (sq. ft.)	2010	2015	2023	2010-2023			2015-2023		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
New Braunfels	5,589,291	5,806,160	6,777,937	1,188,646	91,434	1.5%	971,777	121,472	2.0%
San Marcos	3,604,263	4,069,901	7,367,514	3,763,251	289,481	5.7%	3,297,613	412,202	7.7%
Austin	70,284,223	70,883,200	83,766,240	13,482,017	1,037,078	1.4%	12,883,040	1,610,380	2.1%
San Antonio	98,416,713	102,487,006	130,355,461	31,938,748	2,456,827	2.2%	27,868,455	3,483,557	3.1%

Source: CoStar; Economic & Planning Systems

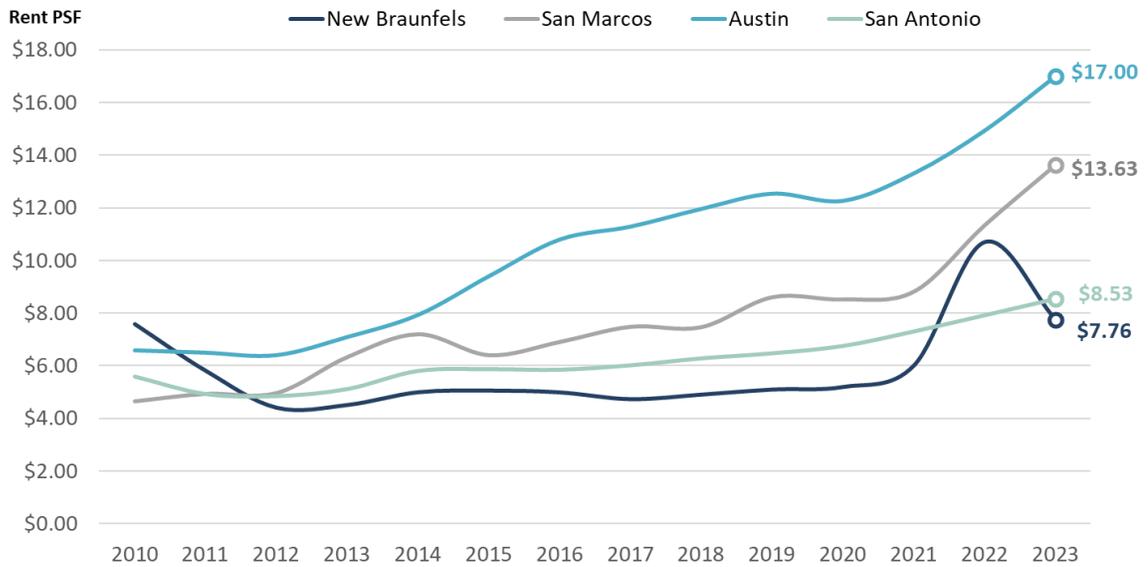
The industrial rent rate in New Braunfels is \$7.76, showing a modest increase of only 0.2 percent annually since 2010, see **Table 17** and **Figure 17**. This affordability, particularly when compared to nearby San Marcos' rental rate of \$13.63 per square foot, and Austin's \$17.00 per square foot, makes New Braunfels an attractive option for businesses.

Table 17. Industrial Rental Rate (per sq. ft.), 2010-2023

Rental Rate	2010	2015	2023	2010-2023			2015-2023		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
New Braunfels	\$7.58	\$5.05	\$7.76	\$0.18	\$0.01	0.2%	\$2.71	\$0.34	5.5%
San Marcos	\$4.67	\$6.42	\$13.63	\$8.96	\$0.69	8.6%	\$7.21	\$0.90	9.9%
Austin	\$6.60	\$9.41	\$17.00	\$10.40	\$0.80	7.6%	\$7.59	\$0.95	7.7%
San Antonio	\$5.58	\$5.86	\$8.53	\$2.95	\$0.23	3.3%	\$2.67	\$0.33	4.8%

Source: CoStar; Economic & Planning Systems

Figure 17. Industrial Rental Rate (per sq. ft.), 2010-2023



Source: CoStar; Economic & Planning Systems

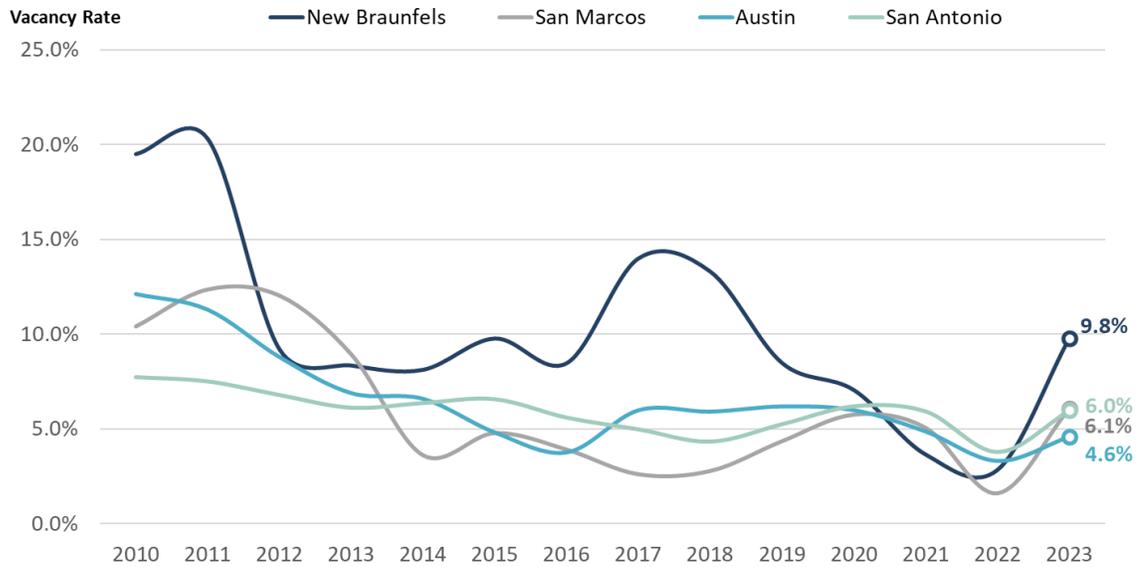
Vacancy rates for industrial space in New Braunfels have decreased significantly since 2010 but are comparable to 2015, currently standing at 9.8 percent, shown in **Table 18** and **Figure 18**. While this rate is relatively high compared to neighboring regions, the recent delivery of 251,000 square feet of industrial space in 2022 suggests that the rate (which is higher than the recent past) will drop as recently delivered space is absorbed.

Table 18. Industrial Vacancy Rate, 2010-2023

Vacancy Rate	2010	2015	2023	2010-2023			2015-2023		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
New Braunfels	19.5%	9.8%	9.8%	-9.7%	-0.7%	-5.2%	0.0%	0.0%	0.0%
San Marcos	10.4%	4.8%	6.1%	-4.3%	-0.3%	-4.1%	1.3%	0.2%	3.1%
Austin	12.1%	4.8%	4.6%	-7.5%	-0.6%	-7.2%	-0.2%	0.0%	-0.6%
San Antonio	7.8%	6.6%	6.0%	-1.8%	-0.1%	-2.0%	-0.6%	-0.1%	-1.2%

Source: CoStar; Economic & Planning Systems

Figure 18. Industrial Vacancy Rate, 2010-2023



Source: CoStar; Economic & Planning Systems

Hospitality

The hospitality market within this section is divided into two parts: all hotels and a spotlight on luxury/economy hotels. Luxury and economy hotels were broken out to document the differences in occupancy and inventory.

Local and Regional Trends

As of 2023, New Braunfels had 2,587 hotel rooms, as shown in **Table 19**. This inventory has remained relatively flat since 2010 when there were 2,413 rooms in the city. Meanwhile, San Marcos had 2,382 hotel rooms, showing growth at an average annual rate of 3.5 percent since 2010. Austin and San Antonio have much larger and more established hospitality markets, with 35,182 and 43,315 hotel rooms respectively.

Table 19. Hospitality Inventory (Rooms), 2010-2023

Inventory (rooms)	2010	2015	2023	2010-2023			2015-2023		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
New Braunfels	2,413	2,495	2,587	174	13	0.5%	92	12	0.5%
San Marcos	1,532	1,888	2,382	850	65	3.5%	494	62	2.9%
Austin	22,371	26,039	35,182	12,811	985	3.5%	9,143	1,143	3.8%
San Antonio	38,788	40,501	43,315	4,527	348	0.9%	2,814	352	0.8%

Source: CoStar; Economic & Planning Systems

The average daily rate (ADR) for hotels across all regions has more than recovered since the COVID-19 pandemic. In New Braunfels, the ADR in 2023 stood at \$129.55, reflecting a 3.1 percent annual increase since 2010, when the ADR was \$87.17, as shown in **Table 20** and **Figure 19**. Similarly, the ADR in San Marcos was \$120.77. In Austin, the ADR was much higher at \$180.04, and in San Antonio it was \$130.01.

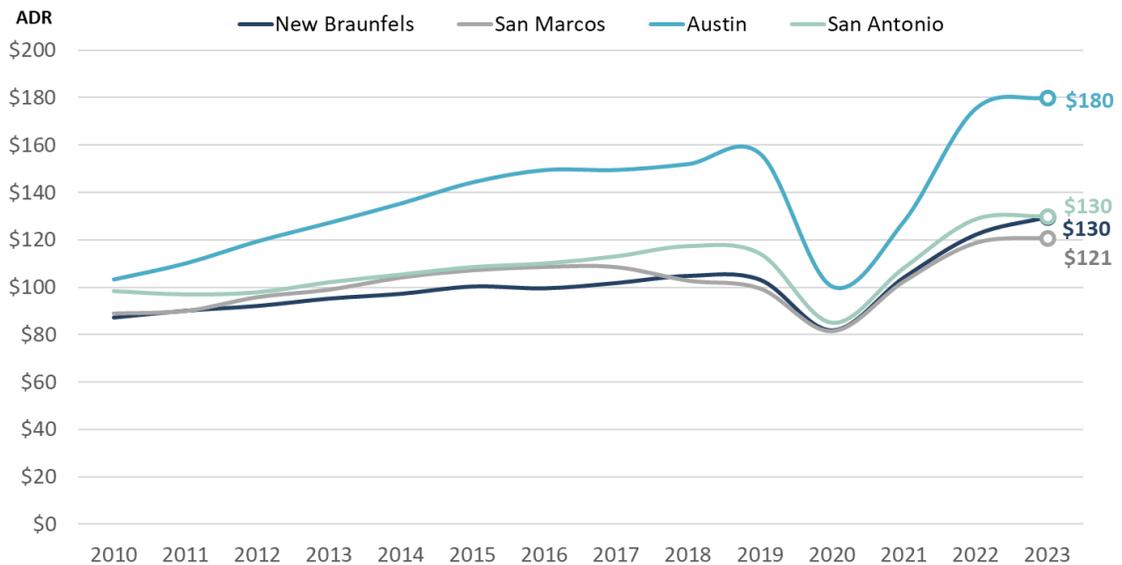
These ADR figures indicate that hotel room rates have not only rebounded but also surpassed pre-pandemic levels in most regions. The increase in ADR suggests a recovery in demand for accommodations.

Table 20. Hospitality Average Daily Rate, 2010-2023

Average Daily Rate	2010	2015	2023	2010-2023			2015-2023		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
New Braunfels	\$87.17	\$100.27	\$129.55	\$42.38	\$3.26	3.1%	\$29.28	\$3.66	3.3%
San Marcos	\$89.03	\$107.14	\$120.77	\$31.75	\$2.44	2.4%	\$13.63	\$1.70	1.5%
Austin	\$103.20	\$144.27	\$180.04	\$76.85	\$5.91	4.4%	\$35.77	\$4.47	2.8%
San Antonio	\$98.35	\$108.55	\$130.01	\$31.67	\$2.44	2.2%	\$21.46	\$2.68	2.3%

Source: CoStar; Economic & Planning Systems

Figure 19. Hospitality Average Daily Rate, 2010-2023



Source: CoStar; Economic & Planning Systems

While normal hotel occupancy levels can vary regionally, generally an annualized rate above 60 percent is considered healthy, with metrics above 65 percent suggesting that ADR can increase. Many developers look to an occupancy rate of 70 percent to indicate the market can support new inventory.

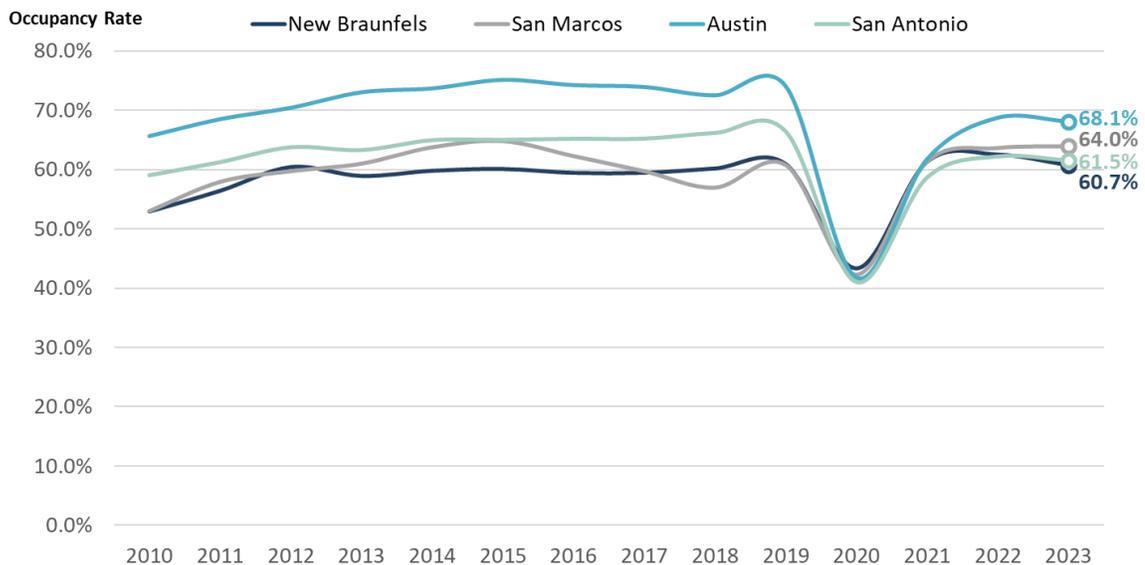
The occupancy rates of New Braunfels and the surrounding regions all fall within this range, as displayed in **Table 21** and **Figure 20**. New Braunfels’ annualized occupancy rate of 60.7 percent in 2023 reflects an increase of 1.1 percent since 2010 when the rate was 52.9 percent. San Marcos had an average occupancy rate of 64.0 percent, up 1.5 percent annually since 2010.

Table 21. Hospitality Occupancy Rate, 2010-2023

Occupancy Rate	2010	2015	2023	2010-2023			2015-2023		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
New Braunfels	52.9%	60.1%	60.7%	7.8%	0.6%	1.1%	0.6%	0.1%	0.1%
San Marcos	53.0%	64.8%	64.0%	10.9%	0.8%	1.5%	-0.9%	-0.1%	-0.2%
Austin	65.6%	75.1%	68.1%	2.5%	0.2%	0.3%	-7.0%	-0.9%	-1.2%
San Antonio	59.0%	65.0%	61.5%	2.5%	0.2%	0.3%	-3.5%	-0.4%	-0.7%

Source: CoStar; Economic & Planning Systems

Figure 20. Hospitality Occupancy Rate, 2010-2023



Source: CoStar; Economic & Planning Systems

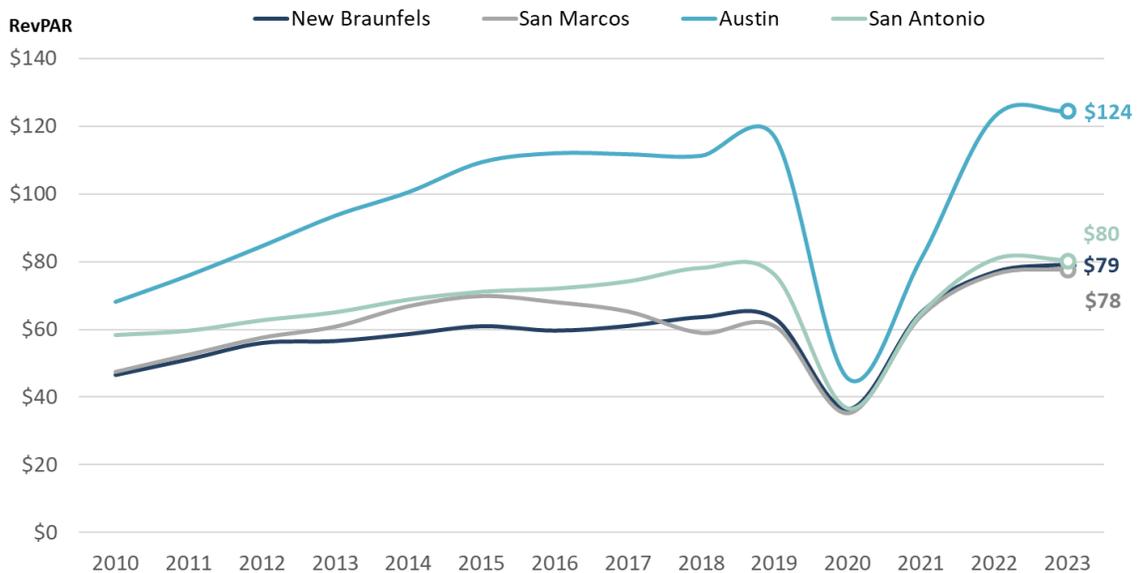
RevPAR, or revenue per available room, increased across all regions and has recovered from the pandemic. In New Braunfels, the RevPAR of \$79.18 reflects a 4.2 percent annual increase since 2010 when it was \$46.45, shown in **Table 22** and **Figure 21**. This figure surpasses San Marcos’ average RevPAR of \$77.75 and is comparable to San Antonio’s RevPAR of \$80.35. However, Austin has the highest revenue per available room of \$124.45, indicating strong performance in the hospitality sector.

Table 22. Hospitality RevPAR, 2010-2023

RevPAR	2010	2015	2023	2010-2023			2015-2023		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
New Braunfels	\$46.45	\$60.87	\$79.18	\$32.72	\$2.52	4.2%	\$18.31	\$2.29	3.3%
San Marcos	\$47.38	\$69.80	\$77.75	\$30.37	\$2.34	3.9%	\$7.95	\$0.99	1.4%
Austin	\$68.12	\$109.41	\$124.45	\$56.33	\$4.33	4.7%	\$15.05	\$1.88	1.6%
San Antonio	\$58.26	\$71.05	\$80.35	\$22.09	\$1.70	2.5%	\$9.29	\$1.16	1.5%

Source: CoStar; Economic & Planning Systems

Figure 21. Hospitality RevPAR, 2010-2023



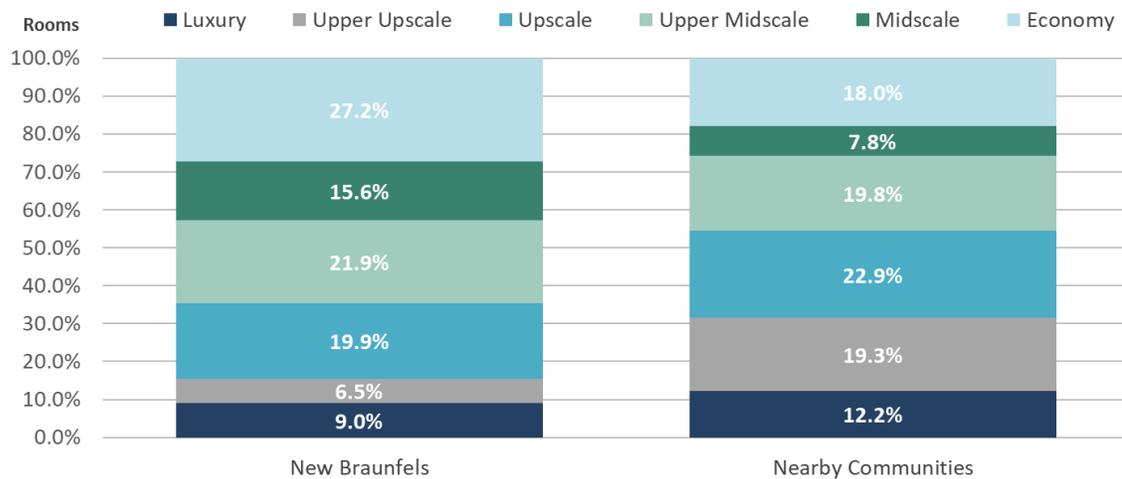
Source: CoStar; Economic & Planning Systems

Luxury and Economy Hotels

The classification of the 2023 hotel inventory in New Braunfels and the nearby communities (San Antonio, Austin, and San Marcos) is shown below in **Figure 22**. Of the 2,587 rooms available in New Braunfels, 35.4 percent are categorized as Upscale, Upper Upscale, or Luxury. The remaining 64.6 percent of the rooms are categorized as Economy, Midscale, or Upper Midscale. In the nearby communities, 54.4 are categorized as Upscale, Upper Upscale, or Luxury and 46.6 percent are categorized as Economy, Midscale, or Upper Midscale.

For the purposes of this analysis, the hotels categorized as Upscale to Luxury are referred to as Upper Tier, while those categorized as Economy to Upper Midscale are referred to as Lower to Mid-Tier. The lower rate of Upper Tier hotels in New Braunfels as compared to San Antonio, Austin, and San Marcos can be viewed as a potential development opportunity in the future.

Figure 22. Hospitality Inventory by Class, 2023



Source: CoStar; Economic & Planning Systems

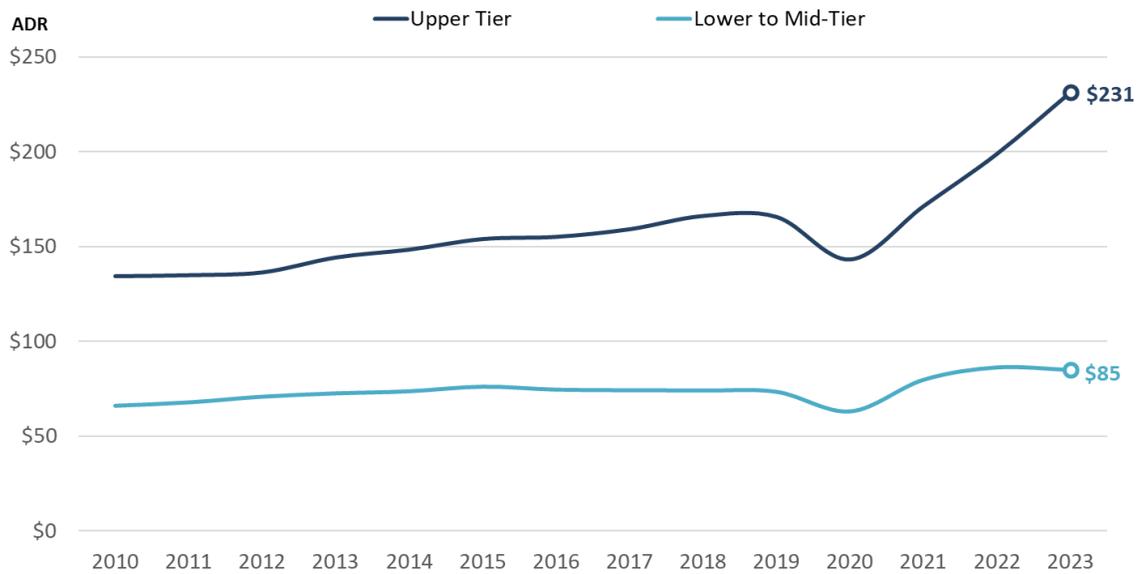
In 2023, the average daily rate for an Upper Tier hotel room in New Braunfels was \$231.20, an increase of \$97.03 since 2010. Lower to Mid-Tier average daily rates are \$84.92, which is only up a total of \$18.69 since 2010 when the ADR was \$66.23, shown in **Table 23** and **Figure 23**. This significant difference in ADR between the tiers reflects the premium pricing and higher room rates associated with Upper Tier hotels, which typically offer luxury amenities, upscale services, and superior accommodations.

Table 23. New Braunfels Hospitality ADR by Tier, 2023

Average Daily Rate	2010	2015	2023	2010-2023			2015-2023		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
Upper Tier	\$134.17	\$153.79	\$231.20	\$97.03	\$7.46	4.3%	\$77.41	\$9.68	5.2%
Lower to Mid-Tier	\$66.23	\$76.21	\$84.92	\$18.69	\$1.44	1.9%	\$8.72	\$1.09	1.4%

Source: CoStar; Economic & Planning Systems

Figure 23. New Braunfels Hospitality ADR by Tier, 2010-2023



Source: CoStar; Economic & Planning Systems

The revenue per available room (RevPAR) for both Upper Tier and Lower to Mid-Tier hotels has also risen between 2010 and 2023. In New Braunfels, the RevPAR for Upper Tier hotel rooms was \$153.72, significantly higher than the RevPAR for Lower to Mid-Tier rooms, which was \$49.87, see **Table 24** and **Figure 24**.

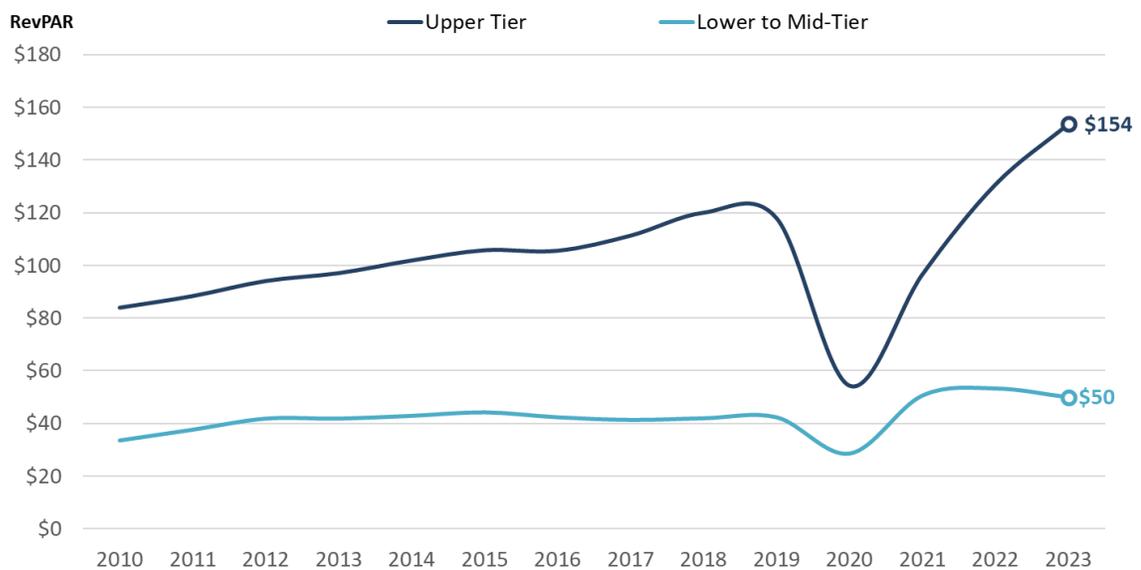
During the COVID-19 pandemic, the RevPAR of all hotels suffered, reflecting decreased demand and occupancy rates. However, in New Braunfels, the revenue has more than recovered, surpassing pre-pandemic levels.

Table 24. New Braunfels Hospitality RevPAR by Tier, 2010-2023

RevPAR	2010	2015	2023	2010-2023			2015-2023		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
Upper Tier	\$84.00	\$105.79	\$153.72	\$69.73	\$5.36	4.8%	\$47.93	\$5.99	4.8%
Lower to Mid-Tier	\$33.53	\$44.17	\$49.87	\$16.34	\$1.26	3.1%	\$5.70	\$0.71	1.5%

Source: CoStar; Economic & Planning Systems

Figure 24. New Braunfels Hospitality RevPAR by Tier, 2010-2023



Source: CoStar; Economic & Planning Systems

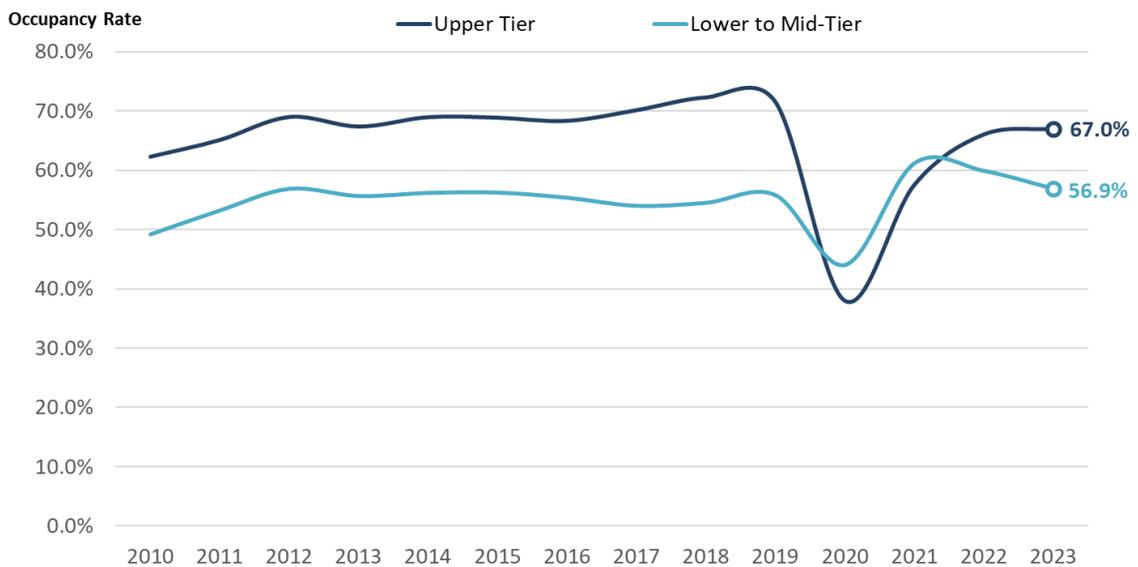
In 2023, hospitality occupancy rates in New Braunfels were 67.0 percent for Upper Tier hotels and 56.9 percent for Lower to Mid-Tier hotels, as shown in **Table 25** and **Figure 25**. While not at their peak, both categories of hotels have increased since 2010. The higher occupancy rates for Upper Tier hotel rooms suggest a demand and consumer appetite for more upscale and luxury hotels in New Braunfels, mirroring increasing demand seen for upper-end product across the country.

Table 25. New Braunfels Hospitality Occupancy Rate by Tier, 2010-2023

Occupancy Rate	2010	2015	2023	2010-2023			2015-2023		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
Upper Tier	62.3%	68.9%	67.0%	4.7%	0.4%	0.6%	-1.9%	-0.2%	-0.3%
Lower to Mid-Tier	49.2%	56.2%	56.9%	7.7%	0.6%	1.1%	0.7%	0.1%	0.1%

Source: CoStar; Economic & Planning Systems

Figure 25. New Braunfels Hospitality Occupancy Rate by Tier, 2010-2023



Source: CoStar; Economic & Planning Systems

Multifamily Rental Market

Local and Regional Trends

The rental market in New Braunfels has seen significant expansion since 2010. During this period, multifamily units have grown by an impressive 8.0 percent annually, with an average addition of 569 units per year, bringing the 2023 total to 11,674 units as shown in **Table 26**. San Marcos’ multifamily rental inventory grew by 3.6 percent annually since 2010, resulting in a total of 10,303 units. Austin and San Antonio multifamily units increased by 3.5 percent and 2.8 percent, respectively.

Table 26. Multifamily Inventory (units), 2010-2023

Inventory (units)	2010	2015	2023	2010-2023			2015-2023		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
New Braunfels	4,283	6,170	11,674	7,391	569	8.0%	5,504	688	8.3%
San Marcos	6,474	7,306	10,303	3,829	295	3.6%	2,997	375	4.4%
Austin	156,700	179,377	245,647	88,947	6,842	3.5%	66,270	8,284	4.0%
San Antonio	162,791	184,699	232,269	69,478	5,344	2.8%	47,570	5,946	2.9%

Source: CoStar; Economic & Planning Systems

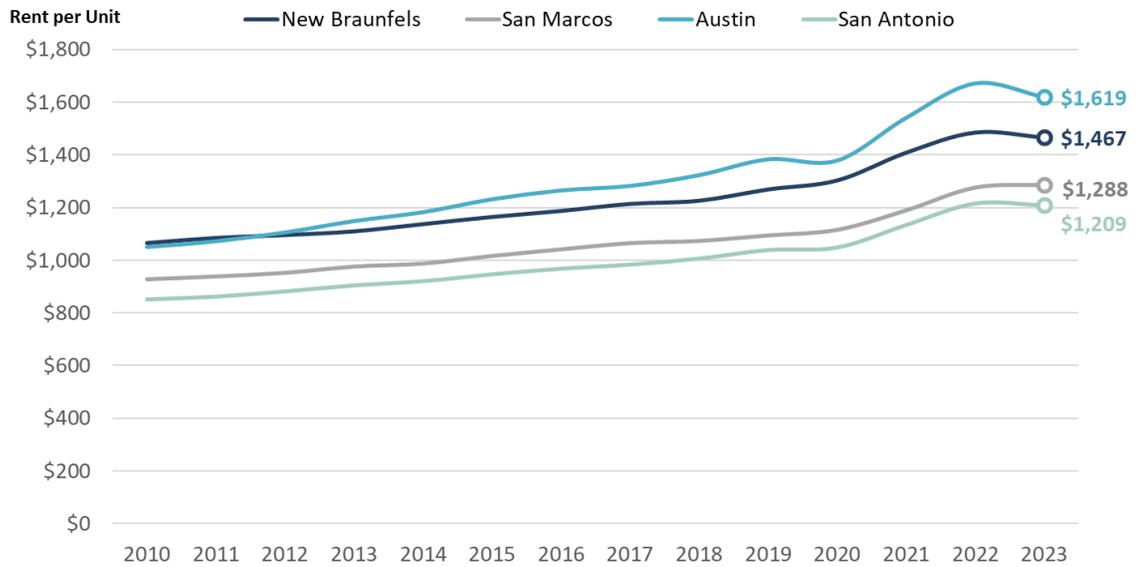
The average multifamily rental rate in New Braunfels was \$1,467 in 2023, an increase of 2.5 percent or \$401.50 since 2010 as shown in **Table 27**. Austin had an average multifamily rent of \$1,619 in 2023, while rents in San Marcos and San Antonio averaged \$1,288 and \$1,209, respectively. Rents in all of these regions reached a peak in 2022, see **Figure 26**, and have slightly declined since then. This decrease correlates to the rise in vacancy rates and the influx of new rental properties in the area.

Table 27. Multifamily Rent (per unit), 2010-2023

Rent per unit	2010	2015	2023	2010-2023			2015-2023		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
New Braunfels	\$1,065	\$1,164	\$1,467	\$401.50	\$30.88	2.5%	\$302.25	\$37.78	2.9%
San Marcos	\$928	\$1,017	\$1,288	\$359.75	\$27.67	2.6%	\$270.75	\$33.84	3.0%
Austin	\$1,052	\$1,233	\$1,619	\$567.75	\$43.67	3.4%	\$386.75	\$48.34	3.5%
San Antonio	\$852	\$947	\$1,209	\$357.00	\$27.46	2.7%	\$261.50	\$32.69	3.1%

Source: CoStar; Economic & Planning Systems

Figure 26. Multifamily Rent (per unit), 2010-2023



Source: CoStar; Economic & Planning Systems

In 2023, the multifamily vacancy rate in New Braunfels was 12.3 percent. Comparatively, San Marcos, Austin, and San Antonio rates averaged 10.6 percent, as shown in **Table 28**.

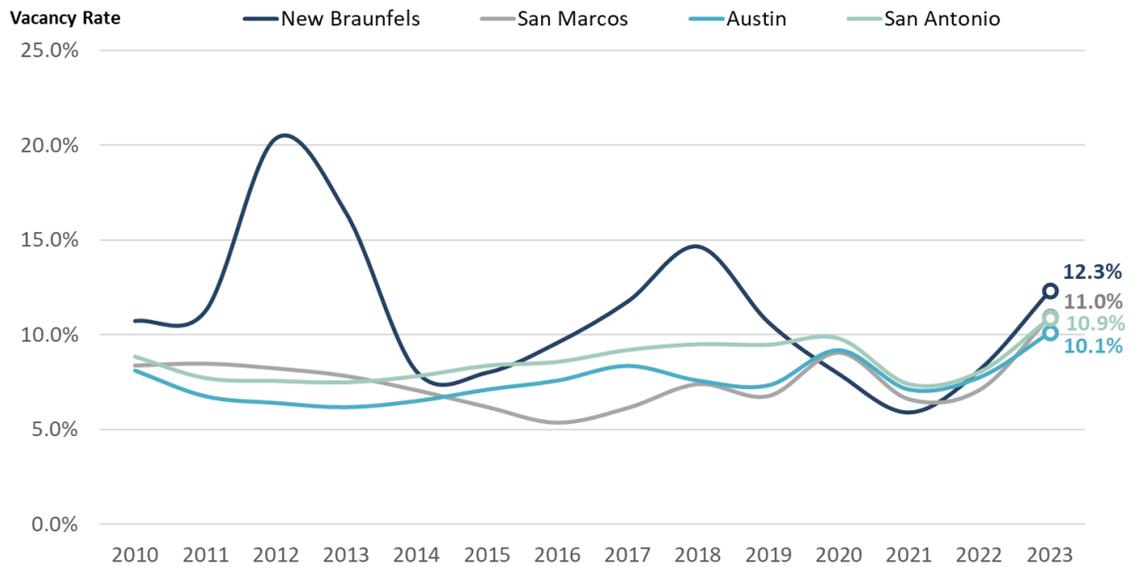
Table 28. Multifamily Vacancy Rate, 2010-2023

Vacancy Rate	2010	2015	2023	2010-2023			2015-2023		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
New Braunfels	10.7%	8.0%	12.3%	1.6%	0.1%	1.1%	4.3%	0.5%	5.6%
San Marcos	8.4%	6.2%	11.0%	2.6%	0.2%	2.1%	4.8%	0.6%	7.4%
Austin	8.1%	7.1%	10.1%	2.0%	0.2%	1.7%	3.0%	0.4%	4.5%
San Antonio	8.9%	8.4%	10.9%	2.0%	0.2%	1.6%	2.5%	0.3%	3.3%

Source: CoStar; Economic & Planning Systems

In 2021, vacancy rates were notably low across these regions, indicating a high demand for multifamily units, illustrated in **Figure 27**. However, this increased demand was countered by an influx of new housing units being constructed. Given the new supply, vacancy rates are higher. The market will require consistent absorption across all of these communities before groundbreaking on a substantial number of new projects.

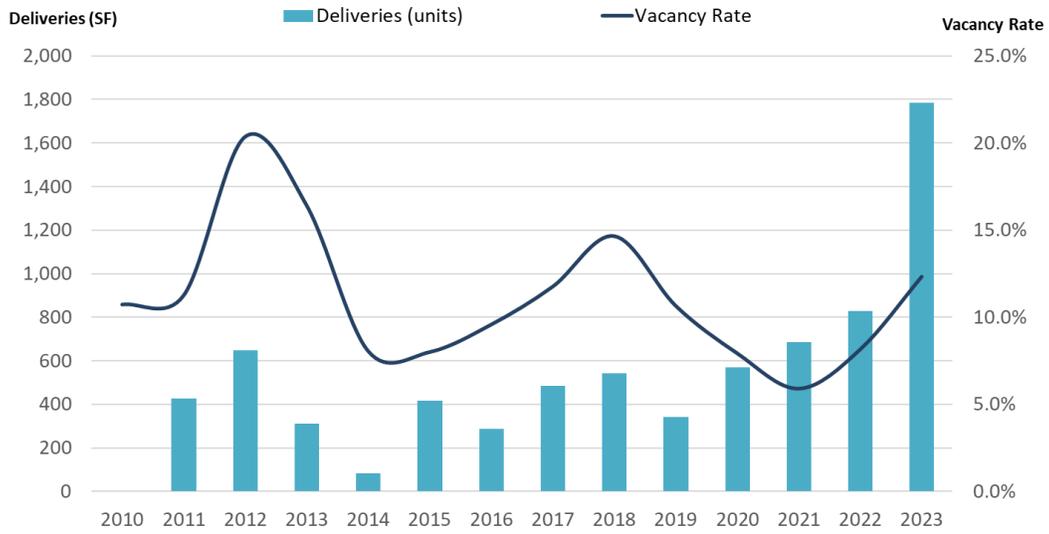
Figure 27. Multifamily Vacancy Rate, 2010-2023



Source: CoStar; Economic & Planning Systems

In 2023, New Braunfels saw a record high delivery of 1,786 multifamily units as shown in **Figure 28**. Given the historic production rate of 568 units per year since 2010, the deliveries in the past year will take approximately 3.1 years to absorb, at which point market stabilization is expected.

Figure 28. New Braunfels Multifamily Vacancy and Deliveries, 2010-2023



Source: CoStar; Economic & Planning Systems

For-Sale Residential Market

Since 2010, the for-sale housing market has experienced considerable growth across all regions, as depicted in **Table 29**. From 2010 to 2023, New Braunfels had 22,155 new starts of for-sale housing units, with just over half of those units having started between 2019 to 2023. San Marcos has started a total of 6,678 homes since 2010, Austin has started 52,829, and San Antonio has started 96,628.

Table 29. Housing Starts and Closings, 2010-2023

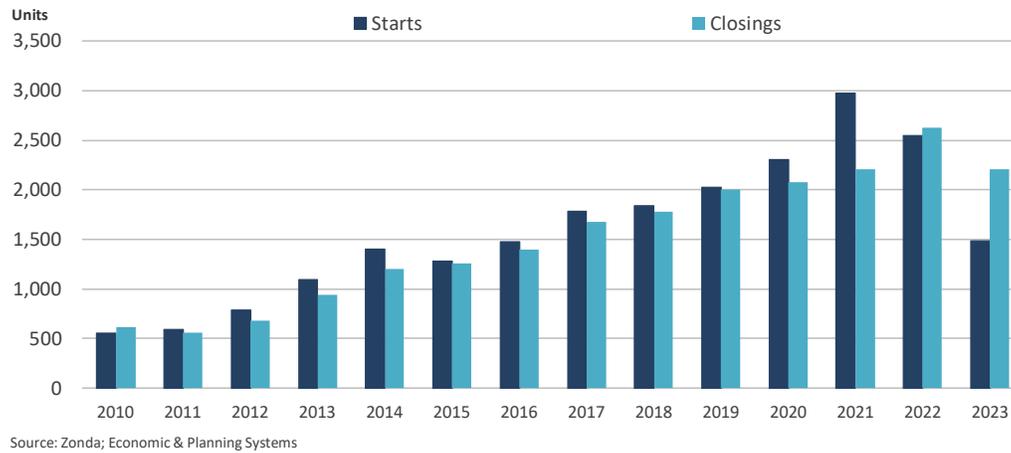
Description	2010	2015	2019	2020	2021	2022	2023	2010-2023		2019-2023	
								Total	Avg	Total	Avg
Starts											
New Braunfels	555	1,280	2,026	2,305	2,975	2,544	1,483	22,155	1,583	11,333	2,267
San Marcos	163	276	576	699	1,143	996	727	6,678	477	4,141	828
Austin	2,012	3,394	5,194	4,260	4,888	3,636	1,620	52,829	3,774	19,598	3,920
San Antonio	5,123	5,635	8,039	9,117	11,243	9,951	8,016	96,628	6,902	46,366	9,273
Closings											
New Braunfels	615	1,258	2,006	2,078	2,209	2,624	2,209	21,235	1,517	11,126	2,225
San Marcos	161	201	636	562	739	908	1,028	6,127	438	3,873	775
Austin	2,758	3,145	5,339	5,138	3,854	3,279	2,472	52,201	3,729	20,082	4,016
San Antonio	5,319	5,488	7,354	8,588	9,216	9,471	10,039	93,834	6,702	44,668	8,934

Source: Zonda; Economic & Planning Systems

The COVID-19 pandemic played a role in driving the housing market as remote work became more common, prompting buyers to seek larger living spaces outside of city centers. Consequently, homebuilders initiated a record number of homes. However, as interest rates and inflation rates increased, homebuyers became more cautious, leading to a decline in housing starts in 2022 and 2023.

Interestingly, despite the decrease in starts, closings in each of these markets exceeded the number of starts, indicating the persistent demand for housing in these specific regions. More homes closed in New Braunfels than were started in 2022 and 2023, shown in **Figure 29**. This suggests that there is still strong interest from buyers specific to the New Braunfels market, despite the larger economic factors.

Moreover, when comparing the affordability of these specific regions to other markets in Texas, it is evident that there remains significant demand for housing. This suggests that despite challenges such as rising interest rates and inflation, the strength of the New Braunfels region continues to attract buyers seeking homeownership opportunities.

Figure 29. New Braunfels Housing Starts and Closings, 2010-2023

Home prices in New Braunfels increased significantly since 2010, as shown in **Table 30**. The average price of a home, including both new and resale properties across all product types, reached \$474,034 in 2023. This equates to an annual increase of 6.9 percent, resulting in a total price appreciation of over \$275,500 over the period.

Table 30. New Braunfels Average Housing Prices, 2010-2023

New Braunfels	2010	2015	2023	2010-2023		
				Total	Ann. #	Ann. %
New						
Single Family	\$191,331	\$278,473	\$388,660	\$197,330	\$15,179	5.6%
Condo	\$283,281	\$326,250	---	---	---	---
Duplex	\$184,114	\$259,430	\$367,000	\$182,887	\$14,068	5.4%
Townhome	---	\$357,288	---	---	---	---
Total	\$190,938	\$278,583	\$389,673	\$198,735	\$15,287	5.6%
Resale						
Single Family	\$201,419	\$249,122	\$517,533	\$316,114	\$24,316	7.5%
Condo	\$190,744	\$225,156	\$376,950	\$186,206	\$14,324	5.4%
Duplex	\$159,353	\$183,976	\$440,483	\$281,130	\$21,625	8.1%
Townhome	---	---	---	---	---	---
Total	\$203,170	\$248,510	\$513,097	\$309,927	\$23,841	7.4%
New & Resale						
Single Family	\$197,363	\$261,959	\$475,667	\$278,305	\$21,408	7.0%
Condo	\$206,167	\$257,080	\$376,950	\$170,783	\$13,137	4.8%
Duplex	\$165,812	\$222,781	\$429,676	\$263,864	\$20,297	7.6%
Townhome	---	\$357,288	---	---	---	---
Total	\$198,364	\$261,560	\$474,034	\$275,670	\$21,205	6.9%

Source: Zonda, Economic & Planning Systems

While the increase in home prices reflects the growing demand for housing in New Braunfels, it also highlights the challenge of housing affordability, particularly in relation to income levels. Given that New Braunfels is predominantly comprised of single-family dwelling units, there is an opportunity to introduce diversified housing options to address the affordability gap. Examples of these housing products are illustrated in **Figure 30**.

By expanding the range of housing products available in the area, including options such as townhouses and condominiums, New Braunfels can better meet the needs of its residents across a range of income levels. This approach can contribute to a more balanced housing market, providing options for lower wage earners, which represent a significant amount of the workforce in New Braunfels.

Figure 30. Missing Middle Housing Examples



Source: [Missing Middle Housing](#) created by Opticos Design

5. Broker Insights

This section provides a summary of key insights from local and regional real estate professionals active in the New Braunfels real estate market. As noted earlier in this report, a common theme among broker interviews was the degree of market pressure that exists in New Braunfels and surrounding communities. Many noted the increase in values (commercial and residential) and one, who works on a multi-state basis, suggested that this section of I-35 is one of the higher growth corridors in the nation.

Office

Outlined below are the key takeaways related to the office market in New Braunfels:

- The local office market reflects conflicting trends. The market has grown steadily but lacks a specific industry to drive demand. A large office building remains vacant due to the shift in the national market post-COVID. While conventional office is reasonably stable, most brokers suggested that developing speculative office space on this site is not viable at this time.
- The site at Gruene 16 offers close proximity to I-35, which is an increasingly important factor as traffic congestion is expected to increase over time.
- The Common Street Professional Building and Resolute Health Hospital Medical Office Building, two of the community's most significant MOBs, are both currently 95 percent occupied.
- The demand for medical office space stands out as economically attractive, with potential rental premiums of 20-25 percent over standard office spaces. The medical office market brings more stability than the conventional office market, given the preference of tenants for longer lease terms, typically in the range of 5-10 years.
- A unique feature of the Gruene 16 site is that it abuts one of the only two-story+ MOBs within the city, with some potential to build off the recognized location. More significantly, in the event the current ownership was willing to entertain expansion concepts, there is potential to reconstruct parking and access, such that the "back area" of the Gruene 16 site would have access and street frontage on Common Street.
- Brokers noted that second-story office spaces may encounter difficulties in finding tenants, given that first floor medical offices are preferred. This has the potential to lead to vacancies for spaces that are elevator served. It was also noted that as the overall market matures in New Braunfels, the willingness to navigate multi-story buildings is expected to evolve.

Retail

Outlined below are the key takeaways related to the retail market in New Braunfels:

- Retail in New Braunfels also represents conflicting trends. Rental rates are strong and vacancy rates are low. Brokers report writing leases on Gruene Road for retail tenants located within a few blocks of Gruene 16 for \$40 per square foot, representing strong demand and the ability for tenants to pay substantially high rents.
- However, the retail sector, although historically vibrant, faces headwinds in the current market environment. Factors such as changing consumer preferences, the rise of e-commerce, and shifts in shopping habits pose challenges to traditional retail development. New Braunfels is not immune to these larger trends.
- In response to these challenges, consideration should be given to strategic partnerships with upscale brands, which could offer added benefits and enhance the appeal of retail spaces.
- Developing retail at the Gruene 16 site will require better visibility on Common Street and/or Gruene Road than exists today. Acquiring the corner would solve this problem, but at the current asking prices, this action is not recommended. The catalytic effect represented by the future development of Gruene 16 (as discussed in greater detail below) will increase market pressure and is likely to lead to redevelopment of the corner without the City having to incur risk and without the City having to cover inflated land costs.
- Despite modest retail prospects, there may still be opportunities for retail development if developed in conjunction with major anchors on site. It is essential to temper expectations, as retail development is generally seen as less likely compared to other uses.
- A final observation from brokers is that any potential retail development is likely to cater to service-oriented businesses and/or food and beverage tenants, rather than larger anchor retailers. In the perspective of local brokers, the focus should be on meeting the needs of the local community rather than dedicating this site to attracting large-scale national retailers.

Hospitality

Outlined below are the key takeaways related to the hospitality market in New Braunfels:

- The hospitality sector presents both opportunities and challenges in the context of the proposed site. The traditional view of visitation in New Braunfels generally relates to tourism. That said, the solid, long-term booking calendar of the existing conference center reflects the City's strength in terms of attracting meeting business.

- The concept of visitation can be positioned towards conference or towards tourism. The preliminary market research indicates that both are generally viable, each with their own challenges.
- The distance from Gruene and the lack of walkability suggests that the site may lend itself to more corporate events, rather than tourism related to Gruene. Although some brokers noted that one of the primary roads used to reach Gruene is immediately adjacent to the site, and that the Gruene brand is sufficiently strong that additional hotel rooms may work notwithstanding the distance.
- The New Braunfels conference center located downtown has a very strong booking calendar, reflecting the strength of the market. Any meeting facility located on the Gruene 16 site should be designed and operated in a way that supplements downtown and does not compete with downtown. Based on interviews, it appears that the market can be expanded such that future occupancies would be supported by net new business, and not a reallocation of conference groups already committed to New Braunfels.
- The relatively soft hotel occupancy rate could be strengthened by a supplemental conference center that would generate demand outside the current summer peak, increasing shoulder seasons, and boosting annual occupancies.
- To the extent the site can be transformed, there may be a basis to explore concepts such as boutique hotels, akin to The Pearl in San Antonio. This would lend itself to visitors seeking a higher quality experience in proximity to the Gruene Historic District. It appears demand for luxury destinations is growing across the country, and given New Braunfels' existing strong brand, it would be a logical fit.
- It is important to note that a boutique hotel will open in downtown New Braunfels shortly. The presence of proposals for high-end hospitality developments downtown signals potential opportunities for more. Any additional hotels on this site should be pursued in a collaborative manner that does not compete with the success of downtown.

Light Industrial

Outlined below are the key takeaways related to the light industrial market in New Braunfels:

- Light industrial development emerges as a promising option, particularly considering potential synergy with expanding manufacturing on the I-35 corridor. With the rise of manufacturing and technology sectors, there is growing demand for light industrial spaces, making it a viable asset class for investment and development.

- The sites close proximity to residential development to the north and east are major challenges, and the context of the area may not be well suited to accommodate an industrial user. Moreover, the site’s potential calls for greater yields in terms of land use and economic impact.

Market Rate Multifamily

Outlined below are the key takeaways related to the market rate multifamily market in New Braunfels:

- The New Braunfels market has enjoyed an extended run of multifamily development. While the recent year has generated a substantial number of deliveries, the new inventory is expected to require at least three years to absorb. Thus, additional multifamily at this location would be supportable in later phases.
- The pressing need for increased density to address housing affordability in the community underscores the importance of multifamily development. However, the multifamily market faces challenges in the capital markets as well as in the local market, in terms of absorption rates.
- Despite these challenges, there are opportunities for modern, urban-designed apartment complexes with structured parking, catering to the preferences of a new demographic. Exploring alternative building styles, such as wrap-style buildings following a “Gurban” design (garden walk-up meshed with urban), could offer less dense alternatives while still meeting the demand for multifamily housing.
- It’s worth noting that while there are upscale multifamily projects tailored for the 55+ demographic in areas like Creekside and Gruene, the luxury multifamily market has yet to fully emerge in New Braunfels.

Workforce Housing

Outlined below are the key takeaways related to the workforce housing market in New Braunfels:

- Workforce housing, while facing financial challenges, remains a critical component of addressing housing needs in the region. However, historical community resistance to affordable housing projects poses significant challenges.
- Overcoming these challenges may require careful site selection and community engagement to address concerns and garner support for workforce housing initiatives. Despite the hurdles, workforce housing represents an essential opportunity to provide affordable housing options for residents in need.

6. Opportunistic Land Uses

This section provides an overview of more specific land uses, expanding beyond the conventional commercial asset classes. Through conversations with real estate experts at local and regional levels, three distinct land utilization types have emerged as promising opportunities warranting deeper exploration. These land uses include:

- Film studios
- Conference/meeting centers
- Medical office buildings

EPS conducted a more concentrated series of interviews with experts in each area to better understand their compatibility on the Gruene 16 site.

Film Studios

To assess overall market demand for a potential film studio use on the site, EPS conducted interviews with representatives from the Texas Film Commission (TFC), San Antonio Film Commission (SAFC), and International Alliance of Theatrical Stage Employees (IATSE), Local 205.

Film Studio Types

There are traditionally three different types of film studios, as outlined in detail below.

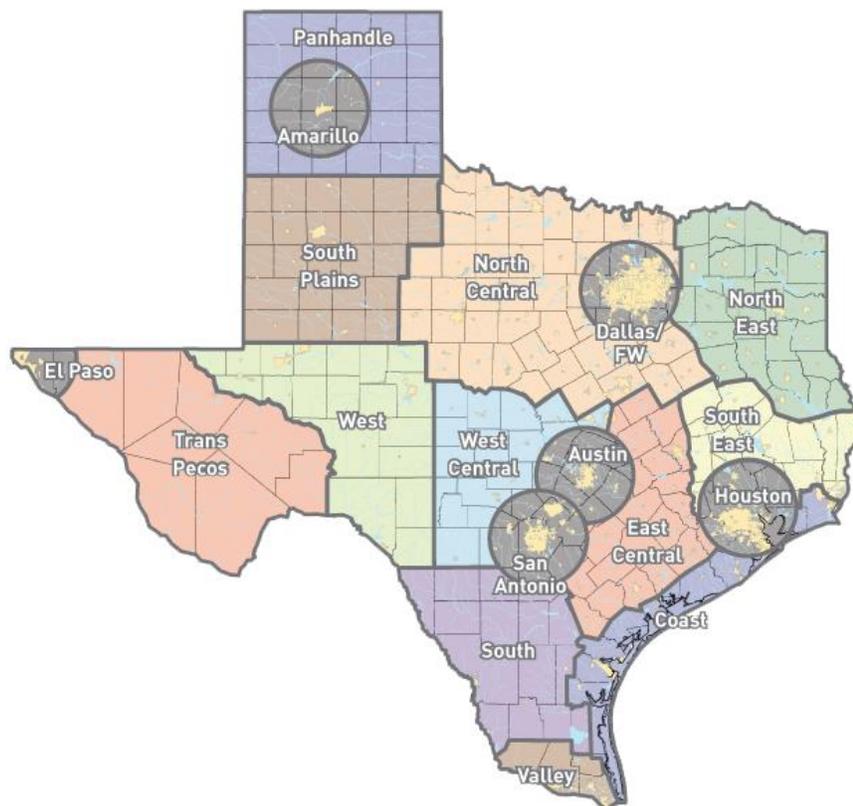
- **Ground-up Build** – Ground-up builds are purpose-built facilities specifically tailored to meet the needs of film and media production. These studios are typically designed from scratch, allowing for customization according to the specific requirements of a particular film or media production.
- **Retrofitted Space** – Retrofitted space film studios repurpose existing buildings or structures to serve as film production facilities. These studios may be converted warehouses, industrial complexes, or other commercial properties that are renovated and equipped to meet the needs of the film industry.
- **City Owned Asset** – City-owned asset film studios are facilities owned and operated by municipal governments or local authorities. These studios may include ground-up buildings or retrofitted space that have been acquired or developed by the City specifically to support film and media production.

Overview

The Texas film studio effort encompasses a concerted initiative to establish and enhance film production facilities and infrastructure within the State of Texas. This endeavor is driven by the recognition of the economic and cultural benefits associated with the film and entertainment industry. Texas has a rich tapestry of diverse landscapes, from bustling urban centers to picturesque rural vistas, making it an attractive destination for filmmakers seeking versatile filming locations.

The state government, in collaboration with private investors and industry stakeholders, has undertaken various measures to promote Texas as a desirable filming destination and to facilitate the growth of its film industry. In order to incentivize film industry growth in Texas, the TFC established the Film Friendly Texas program in 2007. Communities certified through the program receive continuous training and support from the Texas Film Commission, ensuring they adhere to industry standards and best practices while effectively accommodating media production within their communities. This program serves as a vital resource, bolstering Texas's reputation as a top-tier destination for media production. New Braunfels is included as part of the San Antonio Area, as shown in **Figure 31**, and was named a "Film Friendly Texas Community" by the TFC in November 2023, joining over 175 other Texas cities.

Figure 31. Film Friendly Texas Certified Communities



Source: [Texas Film Commission](https://www.texasfilmcommission.com/)

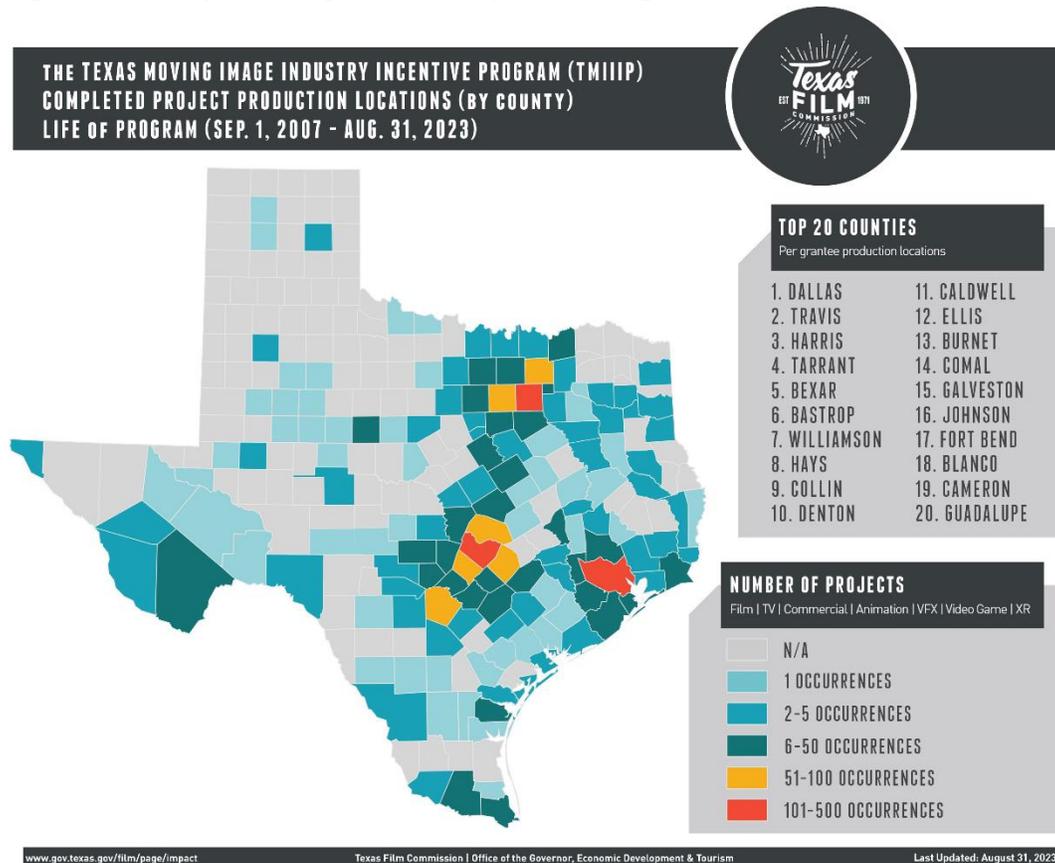
Incentives

The State of Texas is among a handful of states that are considered production friendly. These states traditionally offer incentives to prospective film studio users. Outlined below are the specific state and local incentives currently available.

State Incentives

The State of Texas provides various incentives for film production, described in detail below. Notably, Texas Hill Country stands out as a desirable location, as shown in **Figure 32**, which highlights the number of TMIIP-funded projects from 2007 to 2022. Comal County completed the fourteenth most projects in the state over the 15-year period.

Figure 32. Completed Project Locations, 2007 through 2023



Source: Texas Film Commission, Office of the Governor, Economic Development & Tourism

1. State Sales Tax Exemption

Under Texas law, producers or production companies can claim a sales or use tax exemption on items or services essential for and directly used or consumed during the production of projects intended for commercial distribution, such as feature films, commercials, television projects, or live performance recordings.

2. Texas Moving Image Industry Incentive Program (TMIIP)

TMIIP provides cash grants to qualifying film, television, commercial, animation, visual effects, video game, XR, and other productions based on a percentage of eligible Texas expenditures, including wages paid to Texas residents. Grants vary by project type and budget, issued post-review of the project's Texas expenditures. In 2023, the State of Texas approved an unprecedented \$200 million for the 2024-2025 biennium for the program.

3. Additional Grant Award

As part of the TMIIP program, projects may be eligible for an additional grant equal to 2.5 percent of total in-state spending. Additional grants are awarded to projects in underutilized and economically distressed areas, projects that hire Texas veterans, or projects that spend 10 percent of their total in-state spending on post production.

4. Media Production Development Zone Act (MPDZ)

MPDZ allows for a sales and use tax exemption for the construction, maintenance, expansion, improvement, or renovation of a media production facility at a qualified media production location over a two-year period.

Local Incentives

In addition to State of Texas incentives, the SAFC administers a local rebate program that any future New Braunfels project would qualify for, as outlined below.

1. Supplemental San Antonio Film Incentive Program (SSAI)

The SSAI is a rebate program that disburses funds after project completion. The award amount is 7.5 percent of approved San Antonio spending. The maximum award for a single project is \$250,000.

Market Demand

From our discussions with the TFC, SAFC, and IATSE, we gathered essential insights concerning the market demand for a film studio. These key takeaways are outlined below:

1. The region faces a pressing need for increased studio space, as the demand continues to outpace the available supply.

2. A film production in New Braunfels stands to potentially secure an additional grant award, as outlined earlier, by choosing to film in an "underutilized area" outside of Austin.
3. A prospective film studio space could be thoughtfully designed to accommodate a mix of uses, featuring cross-functionality to serve as both a convention/meeting space and a music venue during periods when filming is not underway.
4. The size of the site is sufficient to accommodate film. Some studios in the area are substantially larger, and some are smaller. The space needed to accommodate nearly all shooting activity in peer locations in Texas can be accommodated with a 16-acre site.
5. Setting itself apart from competitors in the market, a new film studio could incorporate a state-of-the-art XR (extended reality) virtual production LED volume studio, a highly desired asset in the industry that remains underprovided relative to demand in the market.
6. New Braunfels is situated in close proximity to the San Antonio union area, making it a viable location to attract a crew hub, and fall within compliance of Union standards.
7. Unlike states such as Georgia and New Mexico, which offer incentives funded through state income, Texas relies on biennial allocations from the state legislature, resulting in a more unpredictable funding landscape due to variable allocation.
8. Texas is strategically positioned for further expansion within the film industry, resulting from its established celebrity presence and ongoing investment initiatives.
9. The San Antonio and Austin regions are evolving into a cohesive metroplex, with New Braunfels strategically situated at its center.
10. Situated in a high-growth corridor, New Braunfels benefits from substantial brand recognition derived from its renowned rivers and historic venues like Gruene Hall.
11. A significant majority (approximately 75%) of TV producers in Austin opt to film in small towns outside of the city in pursuit of "bucolic charm," a quality that New Braunfels can readily offer.

Economic Benefit

While the State of Texas has not conducted a full economic impact analysis, it tracks total grant amounts and in-state spending from projects. In 2023, the state allocated \$24.4 million in grant funding that resulted in \$120.5 million in in-state spending and supported a total of 5,619 jobs, as shown in **Table 31**. The return on investment by project ranged from 4.4 X to 20.0 X and averaged 4.9 X.

Table 31. TMIIP Projects, 2023

Company	Classification	Grant Amount	In-State Spending	ROI	Texas Jobs
Paid Projects					
The Escape Pod	Commercial	\$7,548	\$100,636	13.3 X	29
Raucous Content	Commercial	\$8,228	\$164,560	20.0 X	41
Merrily, LLC	Feature Film	\$17,928	\$358,554	20.0 X	68
The Senior Movie LLC	Feature Film	\$150,000	\$1,200,000	8.0 X	422
Blind Nil, LLC	Reality Television	\$33,477	\$446,360	13.3 X	26
Gulf States Toyota, Inc.	Commercial	\$9,208	\$184,160	20.0 X	52
Camp Lucky	Commercial	\$18,131	\$362,620	20.0 X	50
Bacon & Sons Film Co.	Commercial	\$45,559	\$911,180	20.0 X	105
Intel Corporation	Commercial	\$9,709	\$194,178	20.0 X	28
Cobalt Productions LLC	Television	\$10,814,976	\$48,066,560	4.4 X	1,061
Hoosegow (Hypnotic) Prod	Feature Film	\$2,000,000	\$10,000,000	5.0 X	593
Bring Light & Sound, LLC	Commercial	\$6,291	\$125,823	20.0 X	33
Eye Productions Inc.	Television	\$9,359,118	\$46,795,590	5.0 X	1,325
Eye Productions Inc.	Television	\$346,593	\$3,465,926	10.0 X	1,344
Space Age 1969, LLC	Feature Film	\$1,512,485	\$7,562,425	5.0 X	372
Facing Nolan, LLC	Feature Film	\$29,257	\$390,093	13.3 X	35
Equilateral Films	Commercial	<u>\$10,020</u>	<u>\$133,597</u>	<u>13.3 X</u>	<u>35</u>
Total		\$24,378,527	\$120,462,263	4.9 X	5,619

Source: Office of the Governor, Economic Development and Tourism Division; Economic & Planning Systems

Relevant Projects

The following film studios exemplify a range of concepts across Texas and Oklahoma. These studios vary in size, construction type, and production utilization, as outlined below.

Figure 33. Relevant Film Studio Projects



Hill Country Studios

San Marcos, Texas

Status: Proposed

Size: 800,000 sq. ft.

Site acreage: 200 acres

Construction: Greenfield

Production: TBD



ATX Film Studios

Austin, Texas

Size: 237,000 sq. ft.

Site acreage: 18 acres

Construction: Retrofit

Production: TV, Film, Commercials



Austin Studios

Austin, Texas

Size: 175,000 sq. ft.

Site acreage: 20 acres

Construction: Ground-up & Retrofit

Production: Short & Indie Films



Cherokee Film Studios

Tahlequah, Oklahoma

Size: 27,000 sq. ft.

Site acreage: 4 acres

Construction: Retrofit

Production: Virtual

Source: CoStar; Economic & Planning Systems

Convention/Meeting Space

In order to assess overall market demand for a convention/meeting space use on the site, EPS conducted interviews with representatives from a number of facilities located in the region.

Overview

The applicability of convention and meeting space venues to this site is for a medium scale facility. After quantifying the nature of more than a dozen centers throughout the San Antonio and Austin region, a concentration of those in the 30,000 to 40,000 square foot range are most relevant. While noteworthy in terms of the size and economic impact, the scale of the primary convention centers in San Antonio and Austin are not relevant for this site.

The development of mid-sized centers in Texas has become an increasingly popular local economic development strategy. These centers are effective in attracting smaller groups of business than those competing on the national landscape. While smaller in scale, there are many more meetings seeking locations that fit their needs, accomplishing the same goal of attracting visitors that leads to increased spending in the local economy.

The industry has experienced growth in the market, with some facilities being privately capitalized and others receiving incentives from local governments, which cover both construction and maintenance costs of facilities and their related infrastructure.

Relevant Projects and Market Demand

To better understand market demand for convention and meeting space venues in the region, EPS segmented the regional inventory and only focused on those in the 30,000 to 40,000 square foot size. A summary of the information collected from interviews with four major conference facilities, in four nearby markets, is shown in **Figure 34** and summarized below.

- **San Marcos, TX** – The City of San Marcos Conference Center experiences high demand, operating at near 100 percent capacity, with events ranging from 200 to 2,000 delegates. It serves a regional market and draws attendees from across the state and has an effective reach into Dallas and Houston. The presence of nearby hotels, including one attached to the conference center, supports the demand.
- **Austin, TX** – The Joe C. Thompson Conference Center in Austin has consistent demand, hosting events ranging from 15 to 1,000 delegates. It serves a diverse market, including statewide, national, and local/regional events, with ample nearby hotel accommodations.

- **San Antonio, TX** – The Norris Conference Center in San Antonio is a recently constructed private facility, mirroring similar facilities the organization has constructed and operates throughout Texas. The organization has six locations in central Texas, with multiple facilities in the metropolitan areas of Houston, Dallas, and San Antonio.
- **Floresville, TX** – The Floresville Event Center operates at close to full capacity, serving a regional market with events catering to up to 3,000 standing or 1,000 sitting delegates. Staff report sufficient demand for additional event space, even though there are already two other event centers in Floresville.

The region exhibits a steady demand for convention and meeting space venues, although saturation levels vary across different areas. Notably, the New Braunfels Civic/Convention Center experiences substantial demand, often booked years into the future. The results from a high-level set of interviews with regional, midsized facilities consistently report a full booking calendar with demand for additional space. Given these indicators, it appears that there is an opportunity for the community to consider this use, likely in conjunction with an adjacent hotel.

Figure 34. Relevant Convention/Meeting Spaces

	<p>San Marcos Conference Center San Marcos, Texas</p> <p>Size: 41,280 sq. ft.</p> <p>Exhibit Halls: 0 Ballrooms: 1 Meeting Rooms: 19</p> <p>Hotel: Yes</p> <p>Demand: High Demand, 100% Capacity</p>
	<p>Joe C. Thompson Conference Center Austin, Texas</p> <p>Size: 35,000 sq. ft.</p> <p>Exhibit Halls: 1 Ballrooms: 0 Meeting Rooms: 14</p> <p>Hotel: No</p> <p>Capacity: High Demand</p>



Norris Conference Center

San Antonio, Texas

Size: 33,043 sq. ft.

Exhibit Halls: 0

Ballrooms: 2

Meeting Rooms: 6

Hotel: No

Capacity: High Demand



Floresville Event Center

Floresville, Texas

Size: 45,493 sq. ft.

Exhibit Halls: 0

Ballrooms: 1

Meeting Rooms: 3

Hotel: No

Capacity: High Demand, 100% Capacity

Source: CoStar; Economic & Planning Systems

Medical Office Building (MOB)

In order to assess overall market demand for a MOB on the site, EPS conducted interviews with medical real estate professionals active in the New Braunfels market.

Market Overview

Situated at the center of healthcare activity in the community, Common Street serves as a medical artery, connecting the city's largest hospitals, CHRISTUS Santa Rosa Hospital and Resolute Baptist Hospital. This geographical centrality underscores its critical opportunity for the City to facilitate medical services and patient access within New Braunfels, if desired.

In the past, the nature of the community favored locally based medical providers with an established network of patients. However, a discernible transformation is underway, driven by a new growth that has demonstrated a growing openness towards non-local medical providers. This shift has resulted in new opportunities for non-local medical groups seeking to establish a presence in New Braunfels.

Furthermore, the construction of Resolute Baptist Hospital, which opened in 2014 and sits on 56 acres, exemplifies a continued expansion of healthcare infrastructure in the community. The accompanying Resolute Health Medical Office Building initially struggled to lease but ultimately achieved full occupancy as the city matured and demand for healthcare services continued to increase. As a result, the Common Street corridor has emerged as an epicenter of medical activity, boasting an amalgamation of strategic advantages such as accessibility, location to premier hospitals, proximity to the interstate, and the ability to accommodate a steady stream of vehicular traffic. These factors collectively position Common Street as a prime corridor for medical office developments, attracting both providers and patients alike.

Market Demand

The Common Street Professional Building, the only multistory MOB on Common Street, directly abuts the Gruene 16 site and further exemplifies the pent-up market demand. The property is 94.1 percent leased with only 1,718 square feet vacant, as shown in **Figure 35**. Vacancies are quickly absorbed upon listing, underscoring the demand-supply imbalance prevailing in the market. The building's tenants are representative of the broader real estate market, with specialties in cardiology, podiatry, imaging, dentistry, and radiology, among others. This diversified tenant mix speaks to the broader MOB market, offering comprehensive patient care under one roof. The owner of the property, Nuveen, may consider a potential expansion onto the Gruene 16 site, leveraging its adjacency to its building. Such a partnership could potentially alleviate some access issues on the Gruene 16 site, activating the property and providing direct access along Common Street.

While demand remains strong, the rental landscape has undergone a series of recent changes. Historical rental rates, once capped at \$30 to \$35 per gross square foot, have increased to \$40 to \$45, which generally outpaces the broader commercial office market. As New Braunfels continues its trajectory of growth, the demand for state-of-the-art medical facilities is continually increasing. Development of MOB properties on the Gruene 16 site, ranging between 30,000 to 60,000 square feet per project, represents a viable development path.

Figure 35. Common Street Professional Building



Common Street Professional Building

1583 Common Street

Size: 28,708 sq. ft.

Hotel: Yes

Vacancy Rate: 5.9 percent

Stories: 2

Year Built: 2002

Previous Sale: \$8,850,000 (2021)

Source: CoStar; Economic & Planning Systems

7. Development Themes and Concepts

This section outlines three prospective development scenarios for consideration on the Gruene 16 property. Furthermore, it includes a brief examination of the collection of properties currently listed for sale at the intersection of Common Street and Gruene Road. The three potential development scenarios were developed based on prevailing market trends, broker insights, Council/EDC goals, and feedback gathered related to potential opportunistic land uses. Each scenario was then evaluated using a weighted decision-making matrix and scored based on their alignment with seven criteria.

Each development scenario is intended to be relatively distinct. The degree to which each concept furthers the goals outlined by City Council and the EDC is measured by a set of evaluation criteria to assess the performance of each scenario against these standards. This approach aims to ensure a comprehensive and cohesive understanding of the development potential and viability of each option.

Common Street and Gruene Road

In addition to the Gruene 16 site, the City also has an opportunity to acquire a property located at the intersection of Common Street and Gruene Road, located adjacent to the Gruene 16 site, as shown in **Figure 36**. The property is commercially zoned and includes five parcels, totaling 6.688 acres.

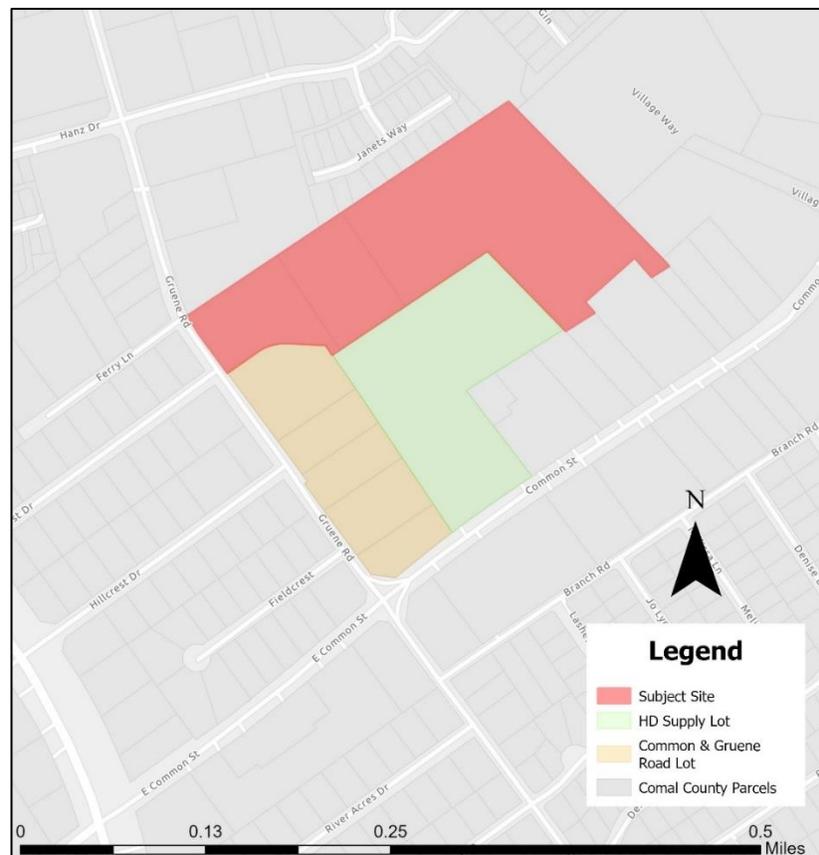


Figure 36. Common Street and Gruene Road Vicinity Map

The potential for traditional retail development on the Gruene 16 property is constrained without direct access to Common Street. Without such access, the Gruene 16 property's visibility is a limiting factor, making it less appealing to third-party developers seeking prime locations for retail establishments. Consequently, to unlock the full potential for retail development and maximize Gruene 16's value as a commercial asset, the City would need to acquire the Common Street and Gruene Road lot. This limitation is particularly relevant for retail uses, which are more dependent on drive-by traffic than others. The greater the scale and nature of a destination use, the less important the corner becomes.

Based on conversations with local and regional brokers and developers, the City could consider purchasing the property at a price of \$15 to \$16 per square foot, which represents market rate in New Braunfels, with a maximum consideration of \$20 per square foot. These ranges equate to a fair market value of \$4.4 million to \$4.7 million and a maximum price of \$5.8 million, as shown in **Table 32**.

Table 32. Common Street and Gruene Road Lot Fair Market Value

Description	Factor	Total
Property Size		
Acreage		6.688
Square Feet	43,560	291,329
Purchase Price		
Market Rate - Lower End	\$15 per sq. ft.	\$4,369,939
Market Rate - Upper End	\$16 per sq. ft.	\$4,661,268
Maximum Consideration	\$20 per sq. ft.	\$5,826,586

Source: Local Brokers; Economic & Planning Systems

Although the specific asking price of the property is not publicly disclosed, it is presumed that the property owner's valuation exceeds these figures significantly. In light of this assumption, EPS advises against pursuing the purchase of the property unless the owner demonstrates a willingness to negotiate within the acceptable price ranges outlined above.

Additionally, the catalytic effect of developing the Gruene 16 site could bring a retail user to this corner in the future. The advantage of this lies in the fact that retail could potentially be the most advantageous use following the development of Gruene 16, and the responsibility and risk associated with developing retail on this site would not be borne by the City.

For the purpose of this analysis, the acquisition of the property was excluded from the formulation of the development scenarios and, consequently, traditional retail development was ruled out as a potential use in the proposed development scenarios.

Development Scenarios

The three development scenarios outlined below illustrate distinct patterns of development, each tailored to fulfill specific thematic objectives. While it is acknowledged that no single development can satisfy every criterion, these scenarios are designed to address overarching goals associated with their respective themes. Though each scenario will undergo a more comprehensive evaluation in subsequent sections, a brief overview of the thematic focus for each development is provided below.

Visitation

Product Mix

The visitation scenario is envisioned as a mixed-use development with a primary product mix that includes a convention center/meeting space and a boutique and/or limited-service hotel. Secondary uses are proposed to include food and beverage space, luxury multifamily housing, and parks/open space.

Strategic Direction

In the visitation scenario, the development plan is strategically geared towards capitalizing on the area's tourism potential. This approach recognizes the importance of tourism as a key driver of economic growth, particularly given the proximity of the Gruene 16 site to the Gruene Historic District. The concept calls for an expansion in leisure and/or business travel and could emphasize one above the other or could combine the two for a stronger economic impact.

The tourism-oriented aspect of this scenario involves the development of a boutique hotel that could increase future demand for infill development that caters to amenities geared towards visitors, such as restaurants, entertainment venues, and recreational facilities. By enhancing the overall visitor experience, this development strategy aims to attract more tourists, increase visitor spending, and stimulate job creation in hospitality and related sectors.

The Upper Tier hotel market in New Braunfels is strong. In 2023, ADRs averaged approximately \$231 and occupancy rates averaged 67 percent. Although local and regional brokers expressed skepticism related to walkability, a "trendy" boutique hotel emerged as a strong option. Additionally, integrating a convention/meeting center was identified as an opportunistic land use, with sufficient market demand evidenced by the utilization rates of local and regional convention/meeting centers, many of which reported either full capacity or high demand.

Another way to expand visitation to New Braunfels is to emphasize business travel. A survey of convention halls ranging from 30,000 to 40,000 square feet in the region suggests that business is strong and that another facility could be accommodated in the market. The demand from this facility would likely call for an on-site, lower to mid-tier hotel. The conference activity would likely drive occupancies in surrounding hotels and would be particularly beneficial for shoulder seasons, in which leisure travel to New Braunfels declines.

Integrating luxury multifamily residences and food and beverage offerings with a hotel and convention center presents a compelling opportunity to create a synergistic mixed-use development. The luxury multifamily residential units would provide a unique housing option within the community, while also providing a substantial amount of disposable income to the area. The additional spending potential, from future hotel and convention guests and on-site residents could support a limited amount of food and beverage, providing for a complementary mix of uses on the site.

The inclusion of parks and open spaces not only enhances the development potential of the site but also provides a community benefit to existing New Braunfels residents. Integrating green spaces within the development was identified as a top priority among Council and EDC members, as there are a limited number of existing parks in the area.

Creativity

Product Mix

In the creativity development scenario, the primary components consist of a film studio and boutique hotel. The remaining land offers flexibility for future needs, potentially serving as a reserve for responding to increased demand in the film industry or as areas designated for parks and open spaces.

Strategic Direction

A potential film studio would attract a significant amount of primary employment to the community, while also fulfilling one of City Council's primary objectives related to pursuing a creative and innovative development. This scenario recognizes the importance of adopting new and unconventional strategies to capitalize on a City-owned asset in a community with limited opportunities for a "big play."

This scenario is centered around the establishment of a film studio anchor, complemented by a boutique hotel. The proposed film studio not only promises to attract a substantial influx of primary employment opportunities to the community but also aligns seamlessly with one of the City Council's primary objectives: the pursuit of creative and innovative development initiatives. By anchoring the development with a film studio, the project not only contributes to job creation but also fosters a dynamic environment conducive to artistic collaboration, which could further bolster the unique identity of New Braunfels.

Furthermore, the inclusion of a boutique hotel with dedicated meeting spaces offers additional amenities and accommodations, catering to the needs of both visiting filmmakers, residents, and local businesses. Similar to the visitation scenario, the hotel would leverage an existing strength of the community related to tourism. Meeting space is also limited, filling a need for current and future potential users.

Local Focus

Product Mix

The local focus development scenario is envisioned as a mixed-use development. The primary land use is proposed to include one or two two-story medical office buildings. Supporting land uses are proposed to include missing-middle for sale residential product, luxury multifamily, and parks/open space.

Strategic Direction

The local focus scenario concentrates on leveraging the established market potential of medical office space, single family residential housing, and multifamily housing. This approach recognizes that certain industries or commercial real estate asset classes already have a strong presence or competitive advantage in the area, presenting opportunities for targeted investment and expansion.

Centered on establishing a medical office hub along Common Street, this scenario recognizes the organic growth of medical facilities in the vicinity. Despite this growth, the area currently includes only one two-story medical office building. Introducing one or two additional two-story MOB's was recognized as an opportunity, given the existing market demand in the area.

Furthermore, the inclusion of missing-middle and luxury multifamily development adds significant value to the overall development program. These components have consistently demonstrated strong market performance and future potential, which would enhance the attractiveness of the project to potential investors and developers.

Weighted Decision-Making Matrix

The three potential development scenarios were evaluated using a weighted decision-making matrix, which is a tool used to evaluate and prioritize alternatives based on multiple criteria. The matrix is described in more detail below:

- 1. Identify Criteria:** The evaluation criteria were identified based on City Council objectives stated in individual workshops, market support criteria (i.e., traditional real estate metrics), and strategic priorities listed in 2022 Economic Development Strategic Plan (EDSP).
- 2. Assign Weights:** Weights were assigned to each criterion to reflect its relative importance or priority in the decision-making process. The weights sum up to 100 percent.
- 3. Score Alternatives:** Each development scenario was evaluated against each criterion and assigned a score based on the degree to which the criterion would be achieved. Scores were assigned on a numerical scale ranging from 1 to 3, with higher scores indicating better performance.
- 4. Calculate Weighted Scores:** The score of each alternative was multiplied by the weight of the corresponding criterion to calculate the weighted score for each criterion.
- 5. Sum Weighted Scores:** The weighted scores for each development scenario were totaled across all criteria to quantify the total weighted score for each scenario. A total score of 100 percent would indicate that each criterion was achieved by the hypothetical development program.

Evaluation Criteria

1. Leverage Market Trends

This criterion was established based on EPS' analysis of commercial real estate metrics calibrated by broker interviews. The market support criterion was measured by considering 1) commercial real estate metrics for asset classes under each scenario, and 2) developer and broker feedback relative to each asset class.

2. Improve Mobility and Connectivity

This criterion was generated from the EDSP. It was created partially in response to community feedback focused on mitigating traffic impacts by facilitating denser, mixed-use development patterns. Development scenarios were evaluated based on their capacity to integrate best-in-class investments in mobility and connectivity.

3. Execute Proactive Land Use and Development Strategies

This criterion was generated from the EDSP. The Community Assessment concluded that New Braunfels has the opportunity to steer growth based on the City's projection that "little to no" developable land will be available by 2035. Development scenarios were evaluated based on their consistency with land use plans and community objectives.

4. Expand the Local Economy

This criterion was generated based on stated Council and EDC goals and objectives during the workshop process. Economic development efforts should focus on generating new economic activity, which provides net new spending within the local economy.

5. Provide a Diversity of Housing Options

This criterion was generated based on stated Council and EDC goals and objectives during the workshop process. Development scenarios were evaluated based on their inclusion of unique housing options.

6. Represents Creative and Innovative Ideas

This criterion was generated based on stated Council and EDC goals and objectives during the workshop process. While this metric is qualitative in nature, development scenarios were evaluated based on the degree to which the recommended asset classes and/or land uses are currently represented in the New Braunfels market.

7. Maximizes the Opportunity Given Limited Land Inventory

This criterion was generated based on stated Council and EDC goals and objectives during the workshop process. The development scenarios were evaluated based on the degree to which it achieved broader City goals and objectives.

Evaluation Scoring

Each development scenario was evaluated against each criterion and assigned a score based on the degree to which the criterion was reached. Scores were assigned on a numerical scale ranging from 1 to 3, with higher scores indicating better performance. Each criterion was also assigned a weight, ranging from 5 to 25, which differentiated the criteria based on relevance and overall importance.

Based on this exercise, the visitation scenario scored the highest, with a score of 83.3 percent. The creativity scenario scored the second highest, with a score of 80.0 percent, and the local focus scenario ranked last, with a score of 70.0 percent.

Table 33. Development Scenario Criteria Matrix

Criteria	Criteria Weight		Visitation		Creativity		Local Focus	
	Description	Value	% Total	Rating	Total	Rating	Total	Rating
Leverage Market Trends	20	20.0%	2	13.3%	1	6.7%	3	20.0%
Improve Mobility and Connectivity	10	10.0%	2	6.7%	2	6.7%	2	6.7%
Execute Proactive Land Use and Development Strategies	10	10.0%	3	10.0%	3	10.0%	3	10.0%
Expand the Local Economy	25	25.0%	3	25.0%	3	25.0%	1	8.3%
Provide a Diversity of Housing Options	5	5.0%	2	3.3%	1	1.7%	3	5.0%
Represents Creative and Innovative Ideas	15	15.0%	2	10.0%	3	15.0%	2	10.0%
Maximizes the Opportunity Given Limited Land Inventory	15	15.0%	3	15.0%	3	15.0%	2	10.0%
Total Rating	100	100.0%	17	83.3%	16	80.0%	16	70.0%

Source: City of New Braunfels; Economic & Planning Systems

Next Steps

Phase 1 of EPS' work on the "Gruene 16" site aims to assess the market and financial viability of various uses for the site. The analysis provided here focuses specifically on the market feasibility aspect of the project. After presenting the market feasibility analysis to the EDC, EPS will update the report to incorporate the financial feasibility analysis. Once Phase 1 is completed, EPS will work with the EDC to define a scope of work related to the developer solicitation process. The remaining tasks for each phase are described in more detail below.

Phase 1

To complete EPS' initial scope of work with the EDC, EPS will develop a comprehensive financial feasibility model to analyze costs and revenues for the three development scenarios. The model will evaluate the development program concepts based on metrics such as Yield on Cost (YOC), Internal Rate of Return (IRR), and Net Present Value (NPV). Sensitivity analyses will explore varying densities, revenue and cost escalation, and rental rates. Additionally, EPS will integrate layers of public revenues into the financial feasibility work. This may include commitments of property tax or sales tax, as well as agreements for additional fees from end-users. The objective is to provide City staff with a robust tool to understand the financial implications of the three scenarios. All findings will be integrated into the weighted decision-making matrix as additional criteria and summarized in the report.

Building on the financial feasibility analysis, EPS will summarize hypothetical Sources and Uses for the three scenarios. These programs will be tailored to showcase both civic benefits and economic viability, accommodating stakeholder preferences. The aim is to provide a clear overview of financial performance under different assumptions, including net returns to the City and/or incentives required from the City.

Phase 2

After completion of the initial scope of work, EPS will continue to support the EDC in the developer solicitation process. EPS has built a substantial portfolio of project experience involving the lease, transfer, and sale of publicly held assets to developers or other end users. EPS has experience providing advice to clients on matters including market and financial feasibility (phase 1 of the analysis), as well as marketing strategies, RFQ/RFP writing, developer selection criteria, public policy and political considerations, and the development of mutually beneficial business terms as a part of contract negotiations.

In past assignments, a process composed of three basic steps has been found to provide a useful structure for negotiation. These steps are as follows: 1) definition of negotiation principles; 2) negotiation of a business term sheet; and 3) drafting of lease and other transaction documents.